

E German engineering flagship on rocks

By Wolfgang Helms
in Frankfurt

Sket, the flagship engineering group in the former East Germany, yesterday started bankruptcy proceedings after failing to agree on a restructuring plan with its workers.

Mr Oskar Lafontaine, leader of the opposition Social Democrats, yesterday urged the government to help rescue the company. Mr Reinhard Hüppner, SPD prime minister of Saxony-Anhalt, has also called on the government to supply emergency finance, but its ability to provide further subsidies are constrained by budgetary constraints and EU rules.

programme rejected by its workers the company would have been sliced up into smaller units, with the loss of more than 1,000 jobs. Sket currently employs around 1,850.

accused the management of an orchestrated conspiracy to drive the company into bankruptcy. After the fall of the Berlin Wall, Sket emerged from the Ernst-Thälmann combine, named after the famous German Communist leader in the 1920s, whose statute still stands in front of the company's head office.

fell under the hammer of the Treuhand privatisation agency. In 1994, the Treuhand allowed two northern German businessmen to take over with a promise to break even by 1996.

facing in both parts of Germany. High domestic labour costs and cheap foreign competition have contributed to the decline. The commercial and financial difficulties of Sket and other eastern German companies have also exacerbated a lingering controversy between Bonn and Brussels over subsidies the former pays to keep eastern German companies afloat.

Perry presses case for Start-2

By John Thornhill
in Moscow and Bruce Clark
in London

Mr William Perry, US defence secretary, visits Moscow today, hoping to persuade Russian legislators to ratify the Start-2 agreement on long-range nuclear arms.

But Moscow hinted it might seek amendments to the treaty, signed in January 1993, which commits the US and Russia to dismantle about two-thirds of their strategic nuclear warheads.

An unnamed defence ministry official told Interfax news agency yesterday his country would seek "quantitative and qualitative" changes. The ministry said that was the opinion of one official and should not be interpreted as a formal negotiating position.

Mr Perry may face a rough ride in the Russian parliament where communist and nationalist deputies have attempted to link ratification of Start-2 with Nato's eastward enlargement plans.

Some Russian strategists want to link acceptance of the treaty to a promise by Washington it will abide by a strict interpretation of the Anti-Ballistic Missile treaty. US conservatives strongly oppose this and have urged the Clinton administration to develop an anti-missile defence which could if necessary be shared with Russia.

The Start-2 accord has been criticised by Russian hardliners for eliminating land-based multiple warheads, where the Soviet Union was strong, while keeping submarine-based systems in which the US had an advantage.

However, Russia's defence ministry still appears to favour Start-2 as a way of releasing resources for the creation of a more mobile, professional army.

Full implementation of Start-2 obliges each side to limit itself to less than 3,500 warheads by the year 2003.

Russian tractor maker ploughs stony furrow

A row of gleaming tractors stands outside the factory which makes them in Vladimir, about 100 miles from Moscow. But inside the vast engine shop, the conveyor belts are motionless and there is little for the small groups of workers to do.

The plant is testimony to the despair shared by hundreds of Russian manufacturers as interest rates soar and demand shrinks. That despair was voiced at the beginning of the month when Russia's tractor makers gathered in Volgograd to celebrate the centenary of the first tractor made in the country.

Three years ago, the Vladimir tractor factory looked to have a fighting chance, with fresh investment from new owners - a consortium of US-based and Russian investors attracted by strong foreign markets and a home market expected to devour tractors to replace worn-out collective farm veterans.

The new Harvard-educated general director, Mr Iosif Bakaleynik, set about restructuring the vast plant, built in 1945 to turn pig iron into 35,000 tractors and up to 140,000 extra engines a year for other Soviet plants.

organisation was broken down, with every department from the iron foundry to the transport fleet expected to work as a stand-alone business, competing for work from the factory and encouraged to find other customers.

But, this year, the factory will produce only 2,000 tractors and 10,000 engines.

Tom Lynch learns how government policy has knocked hope of recovery

about a quarter of break-even levels and down from 11,000 and 16,000 on privatisation. It is still the city's biggest employer, but the workforce has shrunk from 18,000 in 1993 to 8,000 now, and another 1,000 will be gone by Christmas.

No-one had bargained on an economic policy that hammered inflation, stabilised the rouble and sucked money out of the economy by government borrowing at interest rates exceeding 200 per cent earlier this year with a succession of treasury bonds (GKO).

This sent financing costs soaring and created liquidity

problems for companies. The banks are putting all their money into GKO, says Mr Bakaleynik. He cannot afford to borrow to invest, and neither can a farmer needing a new tractor. It is hard to borrow internationally - "people are not hot for agricultural machinery".

In 1994, the Vladimir factory obtained bank credit lines of \$15m-\$16m, and is relieved it made the arrangement in dollars. Its real borrowing costs of about 20 per cent are tough enough, but another manufacturer in the city collapsed when last year's introduction of GKO sent the real cost of rouble borrowing to 80 per cent.

"The banks are not particularly eager to lend us more," says Mr Bakaleynik. A real improvement has been made in the engines and drive trains of Vladimir's tractors. More is needed, however, to improve the cab and the appearance so that they can compete above the level of the very cheapest tractors, where the Chinese are now undercutting Vladimir's products with ease.

He admits that the factory is bankrupt by western standards and keeps afloat partly by cutting workers' hours and delaying paying wages, which are running about four months behind. "In essence, we have to borrow from our workers instead of from the banks," he insists



Plant director Iosif Bakaleynik: struggling to turn company round in economy starved of cash

that managers are the last to be paid. Widespread late payment in the public and private sector has created wage arrears of Rhs40,000bn (\$7.5bn). "The government and business are borrowing that from employees without their consent. Workers are financing the Russian economy at the moment."

The solutions sought by Mr Bakaleynik and other Russian industrialists are not likely to appeal to economic policymakers determined to keep inflation

down: a change in exchange rate policy to weaken the rouble, and in monetary policy to print more roubles, even if inflation rises to around 25 per cent.

His customers, the farmers are paid too little, he says, and what government support there is benefits banks more than food production.

He voices a very un-Harvard-like thought: "All over the world agriculture is subsidised. Some day the government will have to come in here, too."

Moscow threat to companies over unpaid bills

By John Thornhill
in Moscow

The Russian government yesterday stepped up its campaign to raise desperately-needed tax revenues by threatening six big enterprises with bankruptcy procedures unless they settle their bills within a week.

The move is the government's most serious attempt to crack down on tax debtors, which have undermined its budget resulting in delayed payments to millions of pensioners, soldiers and civil servants.

Mr Pyotr Mostovoi, head of the federal bankruptcy agency, yesterday denounced the "unscrupulousness" of 185 big and, in many cases, profitable enterprises which collectively accounted for half the Rhs50,000bn (\$9bn) tax arrears in the first eight months of the year.

"We cannot afford to allow the most successful enterprises in the country to break the laws of God and man," he said. Mr Mostovoi said the six listed companies had paid "an abysmally small" percentage of turnover in tax this year and were indulging in tax dodges.

The targeted enterprises include Tatneft, a large oil-

producing company, and the Kamaz truck plant, both in the semi-autonomous republic of Tatarstan. Tatneft had been planning to sell shares abroad later this year.

Two other oil companies, Purneftegaz and Krasnodar-neftesintez, were also targeted and Mr Mostovoi said another 10 enterprises might soon be added.

Some economists doubted the threat of bankruptcy procedures would be ineffective. Less than 1,000 companies have ever been declared bankrupt in Russia. Many cases have become hogged down in the courts for months, exhausting the resources of the federal bankruptcy agency.

There is also bound to be controversy over which companies are targeted given the endemic nature of the late-payment problem. Gazprom, Russia's giant gas monopoly which owes Rhs15,000bn in back taxes, was absent from the list - the company claims its customers owe it three times more.

The International Monetary Fund, which has backed Russia's reform programme with a \$10.2bn three-year loan, has urged the government to become more aggressive in chasing debtors.

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High growth Hanoi attacks corruption

By Jeremy Grant in Hanoi

Vietnam's prime minister, Mr. Vo Van Kiet, yesterday opened the country's National Assembly with a speech expressing confidence in continued rapid economic growth but, applying with grim messages over increasing corruption, state sector inefficiency and social deprivation.

The assembly, Vietnam's legislative body, is convening for the second time this year and will spend the next month debating the past nine months' economic performance, passing improvements to the foreign investment law and approving sweeping personnel changes at the top of at least 10 ministries.

Mr. Kiet, a reformer who has been a driving force behind the country's market-oriented reforms in the last 10 years, said economic growth this year should reach 9.5 per cent. Double digit growth was possible next year.

Inflation in the first nine months was down to between 6 and 7 per cent from over 10 per cent last year.

Mr. Cao Si Kiem, head of Vietnam's central bank, said yesterday there would be no devaluation of the local currency, the dong, writes Jeremy Grant. His comments appeared designed to counter speculation the bank was advocating a devaluation which some Vietnamese economists say would be a way of boosting exports.

However Vietnam's main exports are commodities such as crude oil and rice and are denominated in dollars, so it is by no means certain that a devaluation would have such an effect.

Year and industrial and agricultural output were up.

However, the speech included a sober assessment of weaknesses, carefully outlined in a political climate where debate is largely stifled by the one-party system. As a result, even senior Vietnamese officials have limited room for manoeuvre should they choose to highlight subjects that have not been accepted in current political vocabulary.

"Low competitiveness"

after religious differences sparked anti-Christian rioting on the island of Java, where over 50 per cent of the country's mainly Moslem population lives. Speaking in the East Timor capital, Dili, the president insisted that the state guaranteed the freedom of religion.

Moslem leaders have condemned the attacks, which have raised questions about the country's reputation for religious tolerance. Five people died and at least 18 Christian churches were burned by Moslem rioters.

The riots could have serious ethnic as well as religious implications, Indonesia's ethnic Chinese, a minority resented for its disproportionate hold over the country's private wealth, are mostly Christian.

President Suharto, who rarely makes statements on East Timor and has not visited the territory since 1988, acknowledged yesterday that there were "still a lot of problems" in the former Portuguese colony, which Indonesia invaded in 1975 and annexed a year later.

The president shook hands with Bishop Carlos Ximenes Belo, who shared this year's Nobel peace prize with Mr Jose Ramos Horta, the exiled spokesman for the East Timorese resistance movement. Witnesses said Mr Suharto and Bishop Belo did not exchange words.

Suharto meets E Timor critic

By Manuela Saragosa in Jakarta

President Suharto of Indonesia made a rare planned visit to the disputed territory of East Timor yesterday to inaugurate a 27-metre statue of Jesus Christ.

Mr Suharto's visit came amid renewed attention on the country's human rights record following the award of the Nobel peace prize to two leading critics of Indonesian rule in the mainly Roman Catholic East Timor. The Indonesian military is regularly accused of brutal repression and the United Nations has not recognised Indonesian rule.

It also came only days

after religious differences sparked anti-Christian rioting on the island of Java, where over 50 per cent of the country's mainly Moslem population lives. Speaking in the East Timor capital, Dili, the president insisted that the state guaranteed the freedom of religion.

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Suharto (left) shakes hands with Bishop Carlos Belo

Japan group plans to halve air fares

By William Dawkins in Tokyo

Another crack appeared yesterday in Japan's tightly controlled domestic airline market, when a second business group announced plans to operate a cut-price service between Tokyo and the northern city of Sapporo, one of the world's busiest routes.

A consortium of 25 small and medium-sized companies on the island of Hokkaido, led by Mr Teruo

Hamada, president of a poultry group, said it planned to lease aircraft and halve standard fares.

The consortium will seek permission from the transport ministry and aims to start flying in early 1998. Mr Hamada's plan comes a day after Japan's largest discount travel agency, Tokyo-based HJS, said it intended to launch Japan's first new internal airline since 1951, with services to start in two to three years.

Their plans came in response to a

surprise change of policy at the ministry, which now says it will give priority to new applicants for domestic routes.

Until now, it has restricted the domestic market to an oligopoly of three main carriers, All Nippon Airways, Japan Airlines and Japan Air Systems. This marks a shift from the Japanese bureaucracy's tradition of favouring business lobbies over consumers.

The new airlines' opportunity to start business will come next spring,

when 40 new daily slots are to be made available at Haneda airport, just outside Tokyo.

Mr Hamada said his group was also motivated by disappointment at the partial deregulation of formerly government controlled domestic fares last June. That led to a small rise in fares, from ¥23,000 (£136) for a single trip from Tokyo to Sapporo, to between ¥23,200 and ¥23,400, depending on the airline, rather than a hoped for cut.

US inflation

US inflation may be lower than expected, according to a survey by Mark Rogers, Atlanta Fed chief, said yesterday.

The survey, which covers the Atlanta area, found that inflation in the region was 3.5 per cent in the first nine months of the year, down from 4.5 per cent in the same period last year.

ts eye alliance

Opposition parties monitoring the election of President Clinton, said they will have to meet challenges in the new House of Representatives.

Mr Clinton's victory was seen as a sign of a new political alliance between Democrats and Republicans.

ASIA-PACIFIC NEWS DIGEST

Slim majority seen for LDP

Japan's conservative Liberal Democratic party, dominant member of the government coalition, might win a small majority in next Sunday's general election, according to a poll published yesterday. The survey of 150,000 voters carried out by the Nihon Keizai Shimbun newspaper showed the LDP would win 281 seats in the new 300-seat lower house of parliament. That compares with the 211 seats the LDP held in the old 511-seat house, dissolved last month to pave the way for an election under a new electoral system and a slightly smaller parliament.

Other surveys had suggested the LDP would increase its number of seats but again fall short of a majority and have to form a new coalition. Even with a one-seat majority, as yesterday's poll indicates, the party would need a coalition partner to ensure stable government. Main candidates for partners are two centre-right and centre-left parties.

William Dawkins, Tokyo

Japanese bankruptcies fall

Corporate bankruptcies in Japan fell 68 per cent in the first six months of the financial year, the first year-on-year decline since 1994, Teikoku Databank, a private research agency, said yesterday. But the number of bankruptcies, at 7,076, in the six months to September, marked the fourth half-year in succession that the figure has been above 7,000, suggesting companies still face substantial financial difficulties in a fragile economic recovery.

Most were attributable directly to weak demand, reflected in falling sales revenues, Teikoku said. But the number resulting from competitive price-cutting rose for the fourth consecutive half-year, by 40.6 per cent from a year earlier. Total liabilities in the six-month period came to ¥2,880bn (\$25.7bn), down 38.5 per cent from the same period in 1995, the agency said.

Gerard Baker, Tokyo

New shares row resignation

A second senior member of Australia's federal government resigned yesterday as a furor over potential conflicts of interest between ministers' private investments and their portfolio responsibilities continued to dominate parliament. Senator Brian Gibson, parliamentary secretary to the treasurer, stepped down after conceding a possible conflict of interest involving shares in Boral, the Australian building materials and energy group.

In late June, Senator Gibson signed an official exemption notice, allowing Boral Energy access to the Victorian exempt futures market. He said he believed he and his wife had sold their shares in Boral at this time, but this was incorrect.

Senator Gibson's departure follows the resignation of Senator Jim Short as assistant treasurer, in similar circumstances. Senator Short had approved a banking licence application from ANZ while retaining shares in the same bank. He claimed this was an oversight. His several decision to step down meant the first ministerial loss for the new conservative government, which took office in March.

Nicki Tait, Sydney

Bolger inflation target pledge

New Zealand's Prime Minister Jim Bolger is prepared to ease the Reserve Bank's 0.2 per cent inflation target in an attempt to woo the New Zealand First party into joining a coalition with his National party, he said yesterday. His comment followed the release of September quarter consumer price index which showed a 0.6 per cent rise, giving 2.4 per cent for the year. This broke the Reserve Bank target but was substantially lower than predictions of about 2.7 per cent. The unexpectedly low figure saw the share market jump 57 points to a 30-month high, interest rates fell sharply and the dollar stayed firm.

Mr Bolger said compromises were essential if the National party was to form a coalition. National was the only main party before last weekend's election that sought to keep the 2 per cent inflation target. NZ First, which holds the balance of power following Saturday's inconclusive election, wanted the target to be based on the average inflation rate of the country's trading partners.

Terry Hall, Wellington

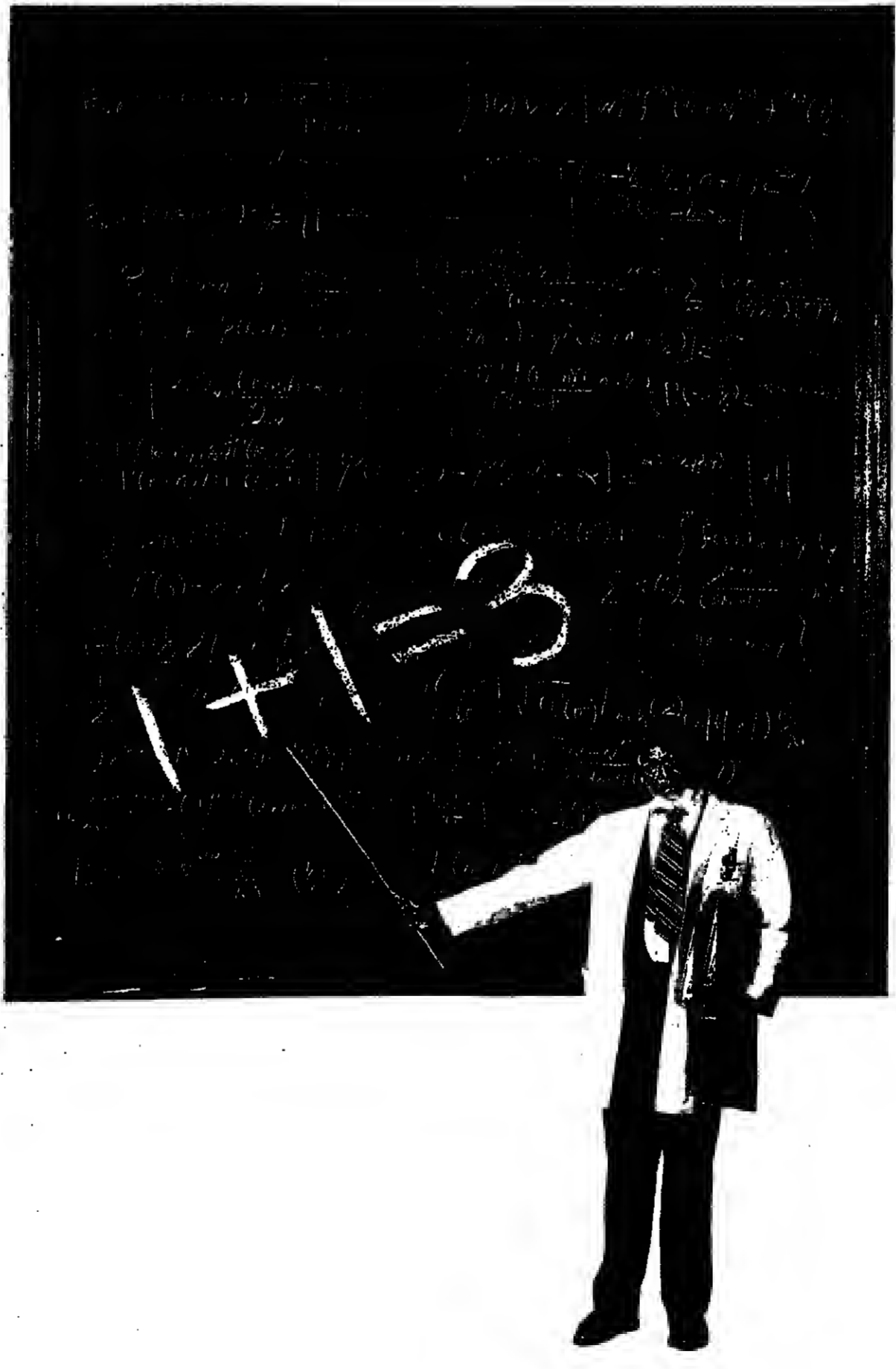
EU seeks Korea policy say

The European Commission will today open talks aimed at securing a seat for the EU on the executive board of the Korean Peninsula Energy Development Organisation (KEDO), which is supplying safe nuclear energy to North Korea. Mr Stephen Bosworth, KEDO executive director, said he hoped to wrap up talks before the end of the year. The US, EU, South Korea and Japan are providing the bulk of the \$5bn cost of building new light water nuclear reactors in North Korea.

Mr Bosworth said the US supported a "direct" EU say in policy-making, though South Korea and Japan would like to weight decision-making according to the size of financial contribution. The project could face delay, he added, because of tensions over the North Korean submarine which landed on the South Korean coast recently.

Lionel Barber, Brussels

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NEWS: INTERNATIONAL

Palestinians hail king's Jericho visit

By Judy Dempsey in Jericho

King Hussein of Jordan yesterday made an historic visit to the West Bank town of Jericho, 29 years after Israel captured the territory from Jordan during the 1967 Six-Day war.

The visit, hailed by Palestinians as evidence of a growing rapprochement between Jordan and Mr Yasir Arafat, president of the Palestinian Authority, contrasted sharply with the continuing strained relations between King Hussein and Mr Benjamin Netanyahu, the Israeli prime minister.

The previously warm relations between Israel and Jordan have deteriorated in recent weeks, with King Hussein accusing Mr Netanyahu of failing to implement the 1995 Israel-Palestinian Interim Agreement, in particular, the long-delayed redeployment of Israeli troops from the West Bank town of Hebron.

Mr Arafat, who accompanied King Hussein during his short visit to Jericho, suggested at a news conference that the US should participate in an international force as a means of breaking the deadlock over the security issue.

Mr William Perry, US defence secretary, said the proposal was not under active consideration. Despite recent statements by Palestinian negotiators that the talks were "going nowhere", while Israel said "real progress" was being made, the US is now seen as playing a crucial role in narrowing differences between both sides for an eventual Hebron redeployment.

Mubarak's historic moment aims to make desert bloom

By Sean Evers in Cairo

President Hosni Mubarak of Egypt triggered an "historic celebration" yesterday when he diverted water into the Toshka overflow canal from Lake Nasser after record water levels.



Hosni Mubarak triggered 'historic celebration'



Map showing the Nile River basin and the Toshka overflow canal.

It was the first time the reservoir behind the Aswan High Dam reached more than 178 metres since its construction in 1964.

As a result of this year's heavy rains in the Ethiopian Highlands, the source of 85 per cent of the water which flows into the Nile, the Egyptians will not have to worry about a water shortage for some time.

But the other nations that share the Nile basin, especially the Ethiopians, could spoil their downstream neighbour's hopes of continued success.

With the notable exception of an agreement signed between Egypt and Sudan in 1959, there are no comprehensive binding those nations in the use of the resource.

According to one western diplomat in Cairo, Ethiopia is trying to engage Egypt in negotiations over the Blue Nile, but Egypt will not entertain any discussion of its "life blood".

UN food summit 'is not being taken seriously'

By Alison Maitland

Leading developed countries were yesterday accused by aid experts of failing to take seriously next month's United Nations world food summit and of watering down summit commitments to fight global hunger.

The UN Food and Agriculture Organisation said more than 100 heads of government had so far agreed to attend the summit, which was designed to be the highest-level meeting on world food problems held for half a century. About 200 were invited.

Ms Kay Killingsworth, secretary-general of the summit, said: "Hunger is something that offends everybody." About 800m people are chronically undernourished, including 200m children.

Ms Killingsworth declined to say how many G7 countries would be represented by heads of government. The US has not yet decided who will head its delegation as the summit begins on November 13, the week after the election. But Canada and most European governments are expected to send either agriculture or development ministers, to the likely disappointment of the FAO.

Mr John Waterbury, professor of politics and international affairs at Princeton University, said: "The status quo has been defined by the 1959 agreement."

"But none of the upper basin countries is happy with the status quo. For most, except for Ethiopia, gaining recognition of some rights to Nile water is not a top priority."

After decades of warfare which ended in 1991, Ethiopia is ready to start rebuilding its economy. It plans to power its growth with a number of hydroelectric projects, and in June approved two "micro-dams" on the Blue Nile and the upper Atbara River, the main source of Egypt's water.

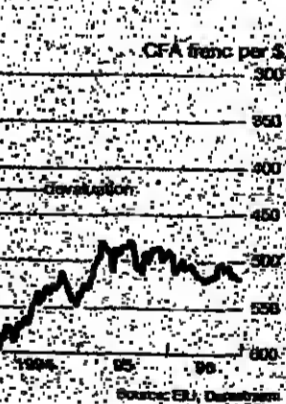
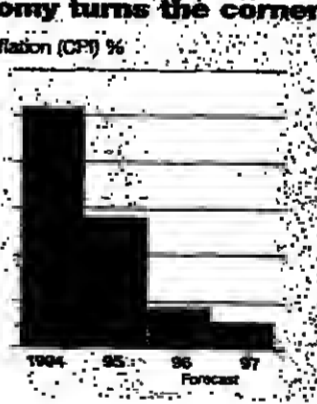
Ethiopia claims there would be no long-term impact on the Egyptian supply. However, the Egyptian government has strongly condemned the proposed dams.

Ivory Coast starts to reap benefits of private sector

But Paul Adams finds reform plans a long way from realisation

Since independence in 1960 Ivory Coast has relied on state-controlled cocoa and coffee exports for its wealth and on France for aid and investment. Now that is all changing.

Mr Kablan Duncan, its reformist prime minister, plans to industrialise and open up the economy to the private sector. His efforts to attract multinationals from Europe, North America and Asia to develop its long-neglected oil, gas, mining and energy sectors started to pay off last month when United Meridian Corporation of the US and Anglo-Dutch Shell signed the first production-sharing contract to develop the country's deep water oil concessions.



The 50 per cent devaluation of the currency, the CFA franc, in January 1994 opened the way for massive donor credits and debt relief linked to IMF and World Bank-approved reforms.

Helped by strong prices for its commodities, the government reversed its budget deficit into a surplus, turned a shrinking gross domestic product into 6 per cent annual growth, cut debt arrears and kept inflation under control.

The reforms coincided with renewed interest by the oil majors in offshore west African oil and gas, and by international mining companies in mineral prospects across the region.

Progress has been most rapid in oil and gas. Fields in shallow water developed by UMC have transformed the country from complete dependence on oil and gas imports to energy self-sufficiency in less than three years.

The government's decision to use known natural gas reserves to fuel the expansion of the existing two small power stations - part of a plan to increase installed capacity for electricity generation by 150 MW every two years - has given more impetus to offshore development.

In July UMC began supplying gas to the refinery near Abidjan, replacing imported liquid fuel for its power plant. Apache, the US operator, will soon start producing natural gas from the Foxrot field to fuel a power station being built by Bouygues and Saur of France.

The government of Côte d'Ivoire and Petroci (the state oil concern) have created an environment conducive to successful investment, says Mr Joe Brusco, head of international exploration at Houston-based UMC.

A recent petroleum investment law improved incentives to oil companies to risk exploration in the costly but potentially more rewarding deep water concessions.

Five oil companies are conducting studies of the deep water and one of these, Elf Aquitaine, is expected to sign an exploration agreement in six months. Mr Lamine Padika, minister of oil and mining, said recently.

But the potential in mining has yet to be unlocked. Despite good prospects for gold, diamonds, nickel and iron, there are fewer than 10 international mining companies in Ivory Coast, whereas there are more than 100 in Ghana and 50 in Burkina Faso, neighbouring states where the geology is similar but the governments have been more open to foreign investment.

State protectionism and the lack of a clear legal framework for investment are making an Ivory Coast gold rush a remote prospect.

During a recent forum in Abidjan to attract multinationals, the government announced it had granted several new mining exploration licences exclusively to the state-owned Sodemi. This caused an immediate protest from Golden Star of the US which claimed it had already been granted one of these concessions in return for carrying out geophysical surveys last year.

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Proton looks to build 1m cars a year

By Jofin Griffiths
Proton, Malaysia's national carmaker, is investing \$300m in the first phase of a new modular car factory near Kuala Lumpur...

Disputes will test WTO rulebook

By Frances Williams in Geneva
The World Trade Organisation will today set in motion dispute procedures for two highly-charged rows that could have far-reaching implications for the rules of the multilateral trading system.

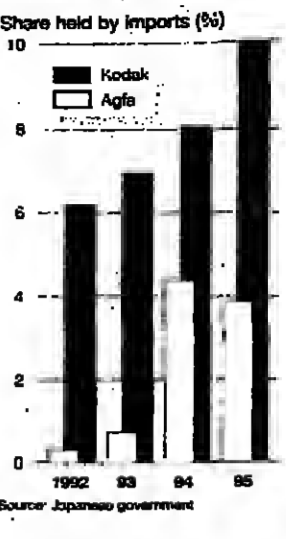
The US is mounting a three-pronged WTO attack against Japan, following a complaint last year by Eastman Kodak that the Tokyo government conspired with Fuji Film to restrict Kodak's market share in Japan.

They include alleged moves to bar Kodak from the primary photofilm distribution system, restrictions on marketing incentives, and the Large Scale Retail Store Law governing establishments of supermarkets and department stores more likely to stock foreign goods.

The Japanese government and Fuji deny all the US charges, saying Kodak's problems in the Japanese market stem from well-documented mistakes in marketing, price strategy and lack of innovation by the US company in the 1980s.

request for a panel but must agree the second time the request is made, probably next month. Washington, which tried hard to dissuade the EU from going ahead with a WTO panel, has indicated it may invoke the never-tested national security exemption in its defence.

Japan's film market



could blow a gaping hole in the WTO's non-discrimination rules.

EU to take action on Japanese port practices

By Michio Nakamoto in Tokyo
The European Union claims that Japanese harbour practices discriminate against foreign shipping companies and will take its complaint to the World Trade Organisation.

nese ports added to costs and worked against foreign shipping companies.

handling charges in Japan to well above international levels.

privately run business, so we believe it should be resolved at the private level," said an official at the Ministry of Transport.

practices have been an issue of some concern to the US maritime authorities as well. The Federal Maritime Commission has asked shipping companies to provide information on business practices at Japanese ports.

The MoT official said the practices were applied to Japanese and foreign shipping companies alike.

Renault, Matra in lightweight tram project

By Charles Batchelor, Transport Correspondent
Renault, the French vehicle group, and Matra Transport International, part of the French defence manufacturer, yesterday unveiled plans for the joint development of a lightweight tram which would run on pneumatic tyres.

Renault and Matra have signed a letter of intent to co-operate and are now building a prototype which is expected to be launched in the first half of next year.

EU aluminium tariff should go, says Gulf

By Robin Allen in Dubai
Gulf aluminium producers have joined their UK counterparts in calling for an end to the European Union's 6 per cent tariff on primary aluminium imports from Russia and the Middle East.

minium, Mr Rugeroni said: "It can be offset by those major European companies which export products into other world markets and obtain 'duty claw-back'."

BLUE CHIPS OF TODAY AND TOMORROW

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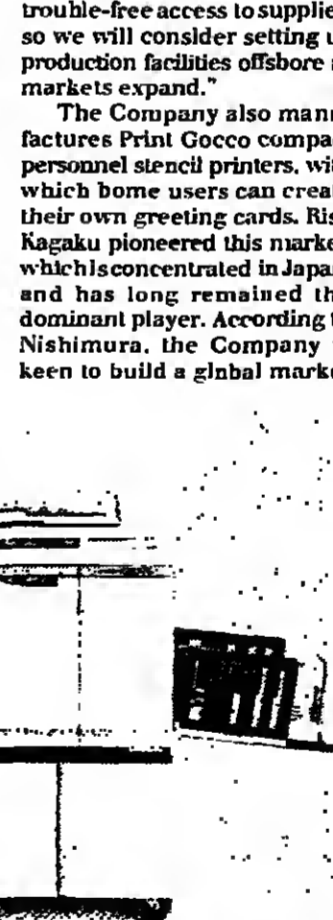


Noboru Hayama, President and CEO

A Truly Global Player
We've come a long, long way since we started out. But the great thing about this business is that we've still got far to go before we realise our true potential.

like China don't yet need all the sophisticated features of our high-end machines. They are more focused right now on speed and cost-performance."

Company will do similarly well in the current fiscal year. Strengthening the Supplies Setup While Riso Kagaku enjoys good profits on its Risograph duplicators, supplies are ultimately the key to earnings.

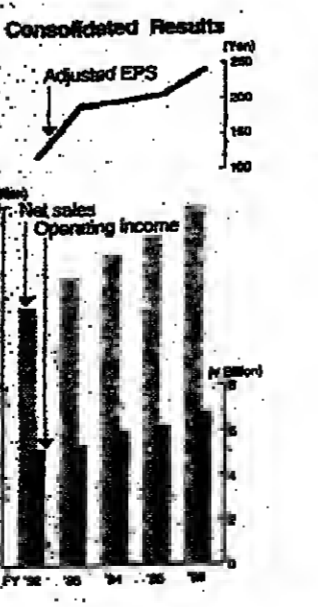


Risograph digital duplicators boast an array of advantages for offices seeking to enhance efficiency, including: 120 copies per minute, low operating cost, 400 dots per inch resolution, personal computer connectivity, and the operating simplicity of photo copiers.

Stretching for Success
In recent years, Riso Kagaku has developed new priorities to maintain its global market lead by endeavoring to extend its duplicator product line.

Excellent Results
The emerging market connection contributed significantly to Riso Kagaku's record consolidated performance in fiscal 1996, ended March 31, 1996.

maximises opportunities to sell supplies. The quality of the supplies themselves is another constant concern for Riso Kagaku management.



Preparing for the Future
Riso Kagaku is doing much to ensure the future of its business.

Preparing for the Future
Riso Kagaku is doing much to ensure the future of its business.



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Searching the globe to bridge the Thames in style

Colin Amery looks at a millennium project that will link both sides of the river and could become a very substantial attraction for the capital city

This is the one. If you are interested in a realistic millennium project, look no further than the plan for a new pedestrian bridge across the Thames. It is the most credible and realistic of all the schemes. Yesterday, in St Paul's Cathedral, those who have made the shortlist in the international competition to design the bridge were announced.

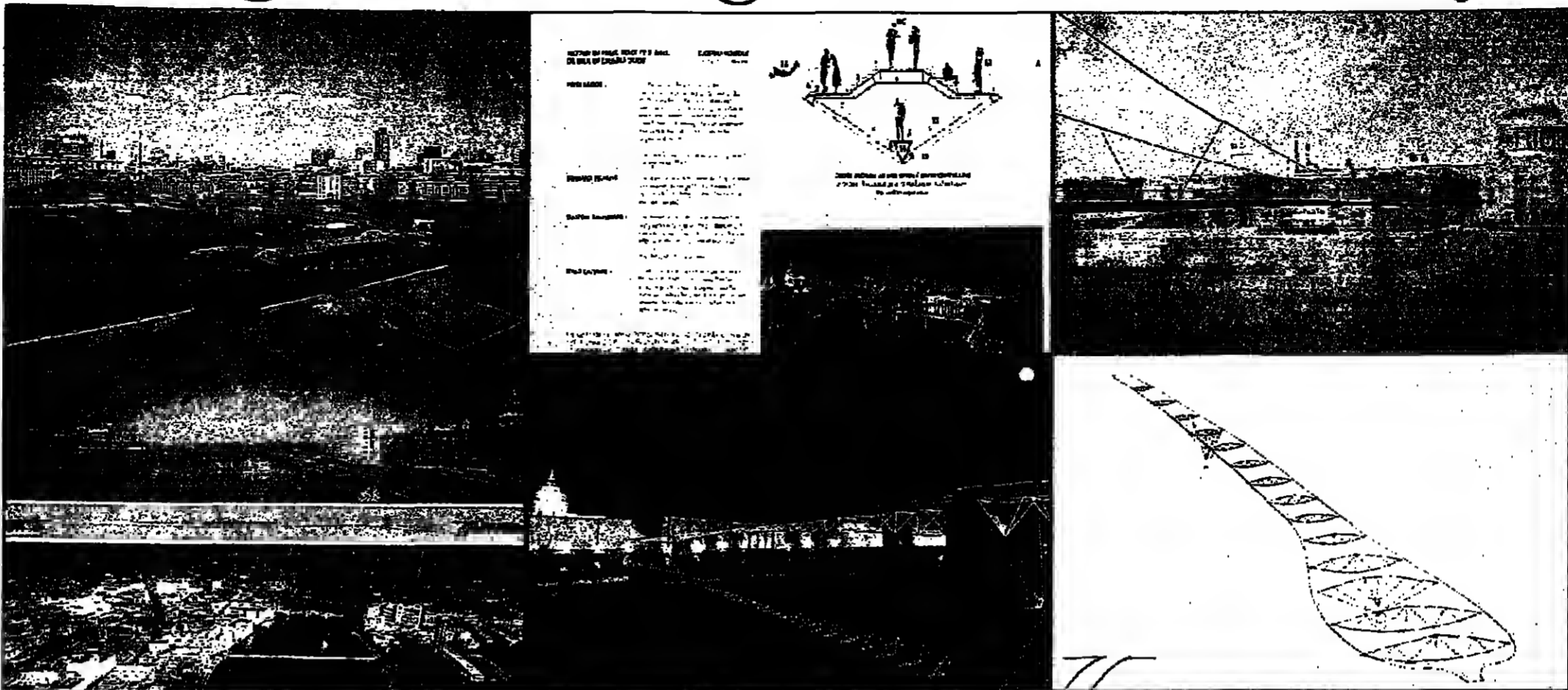
The Financial Times is sponsoring the competition and has worked for nearly two years preparing it in consultation with the Corporation of London and Southwark council.

The FT, especially through its architecture and design management awards, has always believed in supporting good design. The fact that the newspaper's own offices are by the Thames in Southwark, coupled with the imminent arrival of the Tate Gallery of Modern Art in the former Bankside power station and the presence of the exciting new Shakespearean Globe Theatre, encouraged the FT to help promote the idea of a new link between the City of London and Southwark.

Any visitor to the south side of the Thames can only be impressed by the scale and quality of the enhancement and development of the riverside in Southwark. There is a distinct buzz about life on the south side. The atmosphere is not unlike some recently revived areas of downtown Manhattan. Residential, commercial and cultural life has taken an upswing. The catalyst for this is undoubtedly the river itself. The best views in London are from the south side. Sir Christopher Wren lived on that side so that he could watch the steady growth of his great cathedral.

But why a new pedestrian bridge? Firstly, there are no bridges solely for pedestrians across the Thames in London. You either have to cross the river surrounded by cars or accompanied by the rattle of slow-moving, screeching trains. Secondly, the City of London is keen to extend its links with other London boroughs. The third reason must be the arrival of the Tate Gallery and its millennium sponsor to create what will be one of the most extraordinary art galleries in the world inside the incredible bulk of the former Bankside power station.

Tourism cannot be ignored, and the walk from St Paul's to the Tate on the new bridge will be a big attraction for



Views of a bridge: the six finalists in the international competition to find a design for a pedestrian link across the Thames show a diversity of both ideas and approach to the challenge posed by the project

- Shortlist**
- Cezary Bednarski with Studio E Architects and artist Peter Fink and engineers Dewhurst Macfarlane and Trafalgar House Technology, London
 - Ushida Findlay Partnership, Tokyo, with Dewhurst Macfarlane and Partners, London
 - Foster and Partners, London, with the sculptor Sir Anthony Caro, London
 - Frank Gehry and Associates, Santa Monica California, and the sculptor Richard Serra, New York
 - McDowell and Benedetti, London
 - Georg Rotne and Niels Gising, Copenhagen

- Jury**
- David Bell (jury chairman), chairman Financial Times
 - Ana Patricia Botin, president Banco Santander de Negocios
 - Michael Cassidy, Corporation of London
 - Anna Ford, broadcaster
 - Jeremy Fraser, leader Southwark Borough Council
 - Jaques Herzog, architect
 - Frank Newby, consulting engineer
 - Sir Michael Parry, chairman Unilever
 - Sir Philip Powell, architect
 - David Sainsbury, chairman J.Sainsbury
 - Wilfried Wang, architect, director Deutsches Architekturmuseum, Frankfurt

- Advisory panel**
- Peter Rogers, director Stanhope
 - Clyde Malby, chartered quantity surveyor and cost and procurement consultant
 - Jorgen Nissen, Ove Arup and Partners
 - Derek Taylor, Montagu Evans
 - Two representatives of the Port of London Authority are on hand as additional advisers.

Who will foot the bill for the bridge is the question that will remain after the final choice of designer is made. An application has been made to the Millennium Commission, but matching funds will have to be found. Some funds are likely to be available from local authorities. Mr Cassidy pointed out that the City of London Bridge House Charity exists to fund the maintenance of the four bridges that cross the Thames and land in the City - Tower, London, Southwark and Blackfriars bridges. The fund is an ancient charity now valued at £200m. To use it to help build a new bridge would need an Act of Parliament. However, the rules that govern it were recently amended to allow the annual distribution of £10m per year to charitable causes in London.

But the development of the designs is the important phase at the moment. There will be public exhibition of a range of the entries as well as the winner. It is hoped this exhibition, to be sponsored by J. Sainsbury, will be shown in the City, Southwark and at the Tate Gallery.

London. It will add enormously to the rejuvenation of the river - and will not be huge and unsightly, like so many of the proposals currently being floated for an inhabited bridge on the Thames. The six shortlisted winners of the design competition were announced by Mr Michael Cassidy, the chairman of the policy and resources committee of the Corporation of London, and Mr Jeremy Fraser, leader of the London Borough of Southwark. There were 227

entries, a record for an international competition. The six shortlisted entrants will be asked to develop their proposals in further detail and the winner will be announced in December. Under the rules for international competitions, although the names on the shortlist can be announced, their schemes remain technically anonymous. This strange ruling, in fact, encourages speculation and indeed the guessing game can be highly entertain-

ing. It is not difficult to spot the hand of Sir Anthony Caro - the distinguished sculptor of metal - working in collaboration with Sir Norman Foster. Cezary Bednarski won another bridge competition with a carbon-fibre bridge at Lechlade in 1993 and his interest in glass and the use of colour marks out his entry. Richard Serra is a dominant figure in American sculpture and works on a monumental scale in steel. There is a

large work by him at Broadgate in the City of London. His collaboration with Frank Gehry appears to produce a huge plaza at the Bankside end of their joint proposal for a bridge. One entry - could it be Danish? - is a fragile and delicate structure that makes an almost invisible leap across the river. The competition was open to artists as well as architects and engineers and at least two artists have made it on to the shortlist.

Editorial Comment, Page 13

LEBANON 1993-1995 Major economic indicators

US\$ million	1993	1994	1995
MACROECONOMIC INDICATORS			
GDP (Banque Audi's estimates)	7,600	9,500	11,700
GDP per capita	2,000	2,450	3,000
GDP real growth rate	7.00%	8.50%	7.00%
Electricity production (millions of kWh)	4,164	4,584	5,004
Delivery of cement ('000 tonnes)	3,045	3,466	3,978
New factories	n.a.	408	431
Number of ships at the Port	3,328	3,359	3,443
Number of passengers at the Airport ('000)	1,294	1,638	1,672
PUBLIC FINANCE			
Total debt	2,918	4,829	7,115
of which: domestic debt	2,591	4,057	5,825
foreign debt	327	772	1,291
MONETARY SITUATION			
Money and quasi-money	9,163	11,931	14,338
Foreign assets	8,727	9,567	9,892
of which: foreign currencies	5,123	6,032	6,320
gold	3,604	3,535	3,572
Inflation rate	8.90%	12.10%	9.90%
Exchange rate (L/P/US\$)	1,711	1,680	1,596
BANKING ACTIVITY			
Total assets	18,993	14,745	18,205
Total equity	259	410	718
Average capital adequacy ratio	n.a.	13.08%	14.76%
Average liquidity ratio	71.89%	70.77%	66.89%
Return on average assets	1.07%	1.49%	1.63%
Return on average equity	55.36%	57.45%	41.29%
FOREIGN TRADE			
Imports	4,940	5,990	7,203
Exports	458	572	824
Trade balance	(4,482)	(5,418)	(6,479)
Gross capital inflows	5,652	6,548	6,735
Balance of payments	1,170	1,130	256

Banque Audi
THE ART OF BANKING

Banque Audi Economic Reports can be accessed on Internet at: <http://www.audi.com.lb/reports.htm>

TRANSNET

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Transnet Limited is one of the world's largest transport conglomerates; as such, it plays a vital role in the economy of South Africa. It is a thriving multi-modal transport company built on the principles of excellence. Transnet is worth R40 239 million (£ 6615 million) in total operating assets and has a workforce of 114 000 employees.

The capital intensive nature of the business Transnet operates, as well as sheer size of the operation, necessitates a sophisticated approach to the financing of the business. This function is executed by the centralised Treasury division with the mandate to raise the funds needed by all divisions and subsidiaries of Transnet.

Transnet's borrowing rationale is centred around upgrading and expansion of its infrastructure and asset base. It does this with regard to the returns which can be generated from its investments and with regard to the economic consequences for both Transnet and South Africa. As managers of the financial risks of Transnet, one of the functions of Treasury is to ensure that the maturity of fixed assets and liabilities of Transnet will closely coincide. As such, Treasury is tasked with maintaining a wide spectrum of funding instruments suitable to the needs of the operating divisions of Transnet and therefore the need for new bonds arise from time to time.

Transnet Rand Denominated Bonds

Bond Code	Redemption Date	Coupon Rate	Issued R million
T007	01 Apr 1997	12.5%	2200
T016	15 Feb 1999	11.5%	2600
T001	01 Apr 2002	12.5%	1300
T004	01 Apr 2008	7.5%	4100

Regarding dealing in Transnet bonds, investors may obtain two way prices from the Transnet Treasury dealing room or from most South African banks or stock brokers. In essence, an investment in Transnet will render just, if not excellent, value to any investment portfolio.

Dealing room telephone nr. (2711) 488-7588/89

INFORMATION TECHNOLOGY

Using the Internet • Louise Kehoe

Trapped in the Web traffic jam

Overcrowding is due to expansion of infrastructure failing to keep pace with user growth

The World Wide Web is turning into the World Wide Wait. As data traffic clogs the Internet's information highways, users are becoming increasingly frustrated by the often slow and unreliable performance of the global network.

With millions of computer users now relying on the Internet for electronic mail and as a primary source of news and research information, it is fast becoming an essential part of the communications infrastructure.

Yet the Internet has recently proven to be vulnerable to technical and mechanical failure. This month, for example, about 400 Silicon Valley companies were cut off from the Internet for 24 hours when Stanford University's power-generating plant failed.

The power cut, which was blamed on rats gnawing into a switching system, knocked out an Internet hub operated by BBN, one of the largest suppliers of Internet access to US companies and educational institutions.

Other recent "brownouts" include a 19-hour shutdown of America Online in August; interruptions in June at Netcom Communications, one of the biggest US Internet access services; and temporary closure of a New York service that succumbed to a hacker.

Less spectacular are the everyday complications of Internet access. A favourite Web site may suddenly be out of reach. Electronic mail may go astray or be returned "undelivered". Images that should take just a few seconds to download go into slow motion.

For individual computer users - whether they are reaching the Internet from a home PC or an office network - such problems are a frequent irritation. For companies operating Internet-based businesses, they may lead to significant financial losses.

Businesses are looking for "industrial strength" Internet performance like that of the telephone network, but today the performance is only "student strength", says Don Miller of Dataquest, a market research group. "A student can always try again later... but

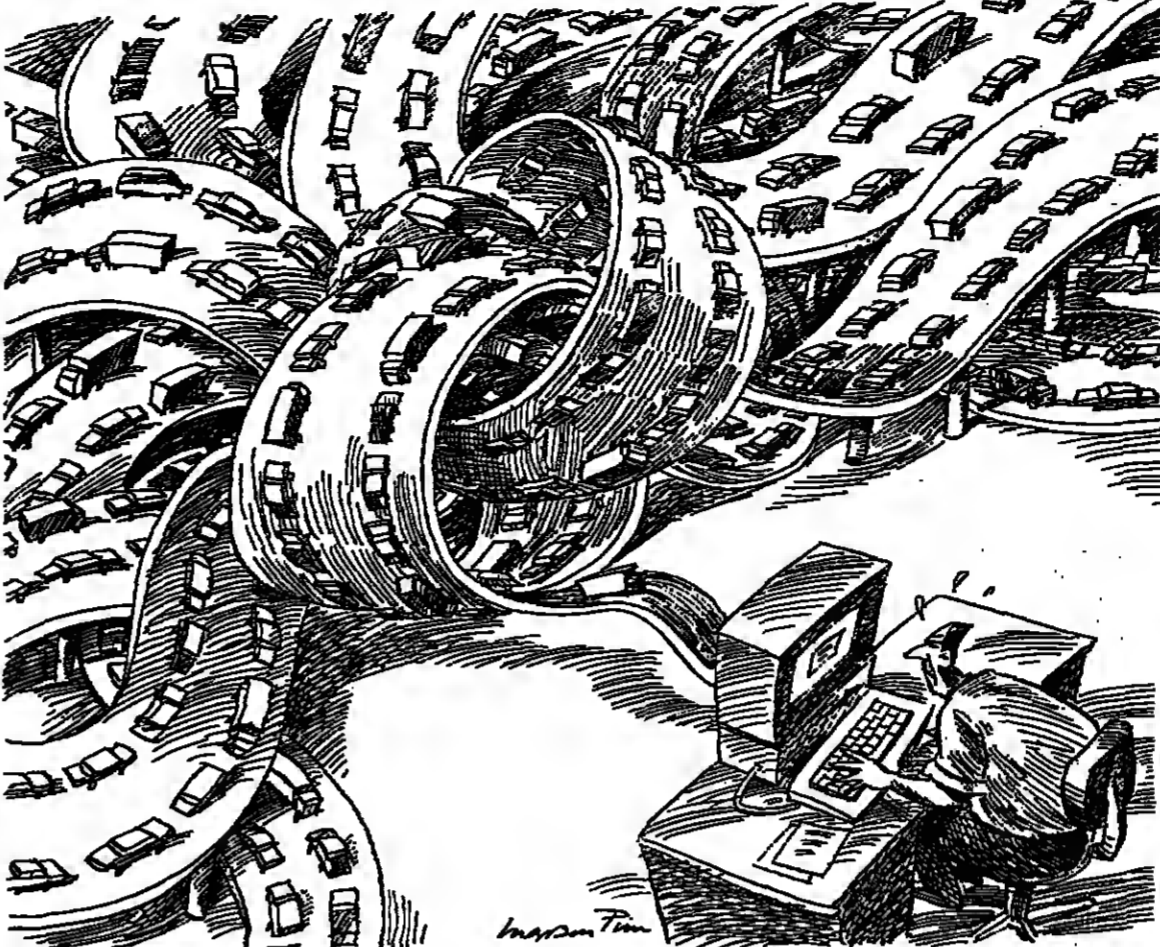


Illustration by Tom

for businesses time is money."

The root cause of most glitches on the Internet is overcrowding. Use of the Internet has doubled in each of the past two years but expansion of the infrastructure has not kept pace.

In part this is because Internet service providers (ISPs) that link companies and individuals to the global network face brutal price competition. Typically, they operate with a minimum of leased telephone lines to minimise costs.

"For the ISP, a very small amount of overcapacity in bandwidth can have a major impact on profits," says Robert Andrews, the "Webmaster" in charge of Netscape Communications' web site, which receives more than 70m visitors a day. "This has a major effect on throughput," slowing access at peak times, he explains.

Traffic jams at Internet sites that have underestimated their popularity can also clog the system. "There is a virtual riot," as Web

users bombard the site, says Andrews.

Another difficulty is that Internet technology has advanced so quickly that there are few true experts in the operation and maintenance of Internet services.

For the average user, figuring out the cause of a specific Internet fault is almost impossible. Bits of information travel across the Internet like cars on a busy highway.

When a user launches onto the

Internet, the first challenge is the highway "on-ramp", the ISP's Point of Presence, or PoP, which receives and processes the log-on activities of dial-up users. If a PoP is out of order or overloaded, users are forced to look for another access point and try again.

The next hurdle is the ISP's servers - the computers that process a user's requests for information, store electronic mail, provide access to newsgroups and other services. Some ISPs are better than others at maintaining their servers, as users quickly learn.

The information traffic must then be "routed" by the ISP to its chosen destination.

Routers are the traffic cops on the information highway. They contain huge lists of Internet addresses, with directions that information packets should take to reach them. But new Internet addresses are created every day, so routers must be updated several thousand times an hour.

Problems occur if this process is

delayed. The messages sent to update routers may get stuck in an information traffic jam, or a router may not be properly maintained.

Packets of information travelling the Internet hop from one router to the next. At each intersection they are given directions for the next segment of journey. If all the directions are correct, the information will reach its destination in the fastest possible time. Any mistakes may, however, send the packet by a slower "scenic route".

When it finally reaches the chosen destination, an information packet must find a computer that is up and running if its journey is to have been worthwhile. Remarkably, most of the time it works.

But the Internet was never designed to ensure that every message could reach any destination all the time. Rather, its roots lie in a US Defense Department project to create a data communications network that could survive a catastrophic event, such as a nuclear blast, at any one site.

Commercialisation of the Internet has created a new set of expectations, however, and efforts to improve stability and reliability are under way on several fronts.

Cisco Systems, the leading supplier of Internet routers, has developed new technology that combines the "switching" used in telephone networks with the Internet "routing" method. By "tagging" information packets with their destination addresses, the new approach promises to relieve router congestion and speed up data transfers.

In the meantime, route "aggregation" has become the by-word among ISPs. akin to establishing a system of postal codes that apply to a large number of addresses, aggregation is expected to reduce the workload on Internet routers and improve performance.

Faster, higher bandwidth connections are also on the way. Communications companies are upgrading their networks to handle more Internet traffic.

Technologies such as Asynchronous Transfer Mode (ATM) could provide "scalable" network bandwidth to meet the needs of users at peak times. Cable TV companies are also adapting high speed networks to provide Internet services.

There is also talk among US universities and Internet equipment manufacturers of creating "Internet II", a sequel that would provide a testing ground for perhaps more reliable networking technologies.

Information Technology
 ● The FT's review of Information Technology appears on the first Wednesday of each month

Watching brief



Bidding made easier

Bidding and tendering is a time-consuming process, in which mistakes may lead to lost or unprofitable business. Biz Computer Applications, a Nottingham-based business has tried to streamline the entire bidding process by designing a fully-integrated, off-the-shelf bid management system.

Bid-ITT is an information management and document production system that provides access to information from the company's databases and applications such as Microsoft Office across a local or wide area network. The software helps manage every stage of the bid, ranging from analysing the likely risks and probability of success to meeting the original specification once the business has been won. The system, which costs £1,750 per user, is aimed at companies with turnover of £25m or over.

Biz Computer Applications, UK, tel (0)115 325 9996; fax (0)115 325 9993; e-mail biditn@biz.co.uk

place orders, check inventories and resolve customer problems.

Progress Software Corporation, headquartered in Massachusetts, believes that its WebSpeed products are the first commercially available transaction processing applications of their type. They comprise the WebSpeed Workshop, a set of development tools and the WebSpeed Transaction Server, a Web-based deployment engine. It is working in partnership with Security Dynamics Technologies of Bedford, Massachusetts, to develop new ways of protecting the security of WebSpeed transactions.

Progress Software, UK, tel (0)1256 816668; fax (0)1256 301881; e-mail justin@basing.progress.com

Model view of portfolios

Quantitative fund managers have long used computer models to help them analyse stocks and optimise portfolios. DataLink International, a Guernsey-based financial systems supplier, has devised its own version of a portfolio management information system to help fund managers structure portfolios, manage risk and return, measure performance and monitor investment restrictions.

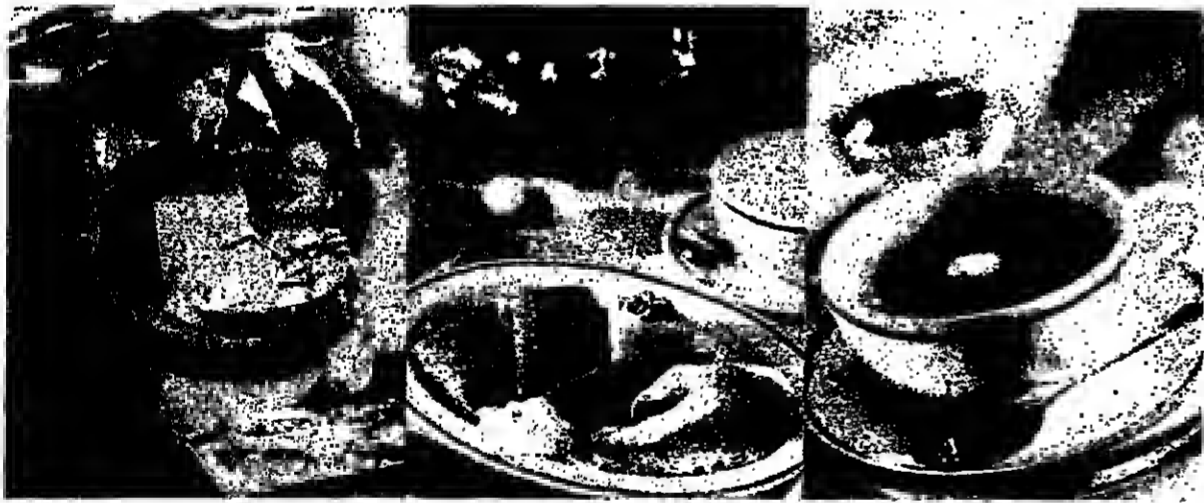
The system provides information from 47 markets and currencies. The Eagle portfolio management system costs about £100,000.

DataLink International, Guernsey, tel (0)1481 39300; fax (0)1481 39398; e-mail DataLink@dlintkgrp.com

Down to the detailed data

One reason why relatively little business has been transacted over the Internet is that it is difficult to gain access to the detailed data needed for business transactions. That is changing with the development of transaction processing applications for the Internet and corporate intranets that will allow business partners and customers direct access to corporate databases to

Business comfort has a new name



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Welcome to The Friendly Airline

AUSTRIAN AIRLINES

ELECTRONIC COMMERCE Business to business systems

Calling out around the world

A computer hardware distributor in Frankfurt wants to buy a batch of hard drives. Instead of ringing round to find the best deal, he logs on to an Internet-based system called Trade'ex which produces a list of unnamed suppliers worldwide, their best price and the quantity available.

Top of the list is a Californian vendor that has temporarily dropped its price for several drives. The distributor places a purchase order online, and the vendor is alerted by the Trade'ex system. The goods are dispatched and payment follows, normally by EDI (electronic data interchange) or direct debit.

The transaction is typical for Trade'ex, one of a number of new systems in the emerging market for business-to-business trading on the Net. Another is Pittsburgh-based Industry.Net, which maintains wholesale catalogues online.

Trade'ex, launched last year by Tampa-based Commerce Systems, aims to bring together buyers and sellers that would otherwise not know of each other in an online, real-time wholesale marketplace.

Trade'ex has already made its mark on electronic trading running a Computer Marketplace system used by around 1,200 dealers in 58 countries. The seller's identity is not known to the buyer, enabling Trade'ex to take its cut. In return it guarantees payment.

In Germany, the first company on the Computer Marketplace was CHS Germany, part of the CHS International computer distribution business, which this summer put around 400 products into the system. Use started slowly but is growing, says Christian Grosse, business development manager. Customers appreciate a new

facility that lets them compare prices across Europe alone, rather than worldwide where shipping costs could be higher.

Like CHS, Texas-based Memory Technologies, which sells computer and electronic components, considered it necessary to learn more about Trade'ex. It can be a two-edged sword, though, says Roy Stocker, vice-president: "If a customer knows about us, they can also look at other vendors and buy from the cheapest".

The potential of such systems goes far beyond the computer industry. Government purchasing organisations or trade associations could buy a licence to use and distribute the software, which would be customised to allow individual vendors to show their price lists and update them in real-time.

One of the earliest users has been the Australian Chamber of Manufacturers, which began a pilot project

in March. The system allows small and medium-sized manufacturers to compete equally with big business, and frees Australian companies from the "tyranny of distance," says John McCanta, national business systems manager.

Trade'ex was launched in the UK this week. Exclusive UK marketing rights have gone to a subsidiary of TDS Marketing Group, whose managing director is former Amstrad executive Thomas Power.

"There are opportunities for many other markets apart from computer hardware," he says. "In office and hospital supplies, for example, high volumes are being bought from many suppliers."

Power is also exploring the system's potential for selling agricultural supplies to farmers, many of whom are already using e-mail and the Internet.

Andrew Baxter

IT in action

Paralysis of analysis

A surfeit of information is strangling business and causing employees mental anguish and physical illness, according to an international survey by Reuters Business Information.

One in four of more than 1,300 managers it surveyed admitted to suffering ill health as a result of the amount of information they handle, although half agreed they needed high levels of information to perform effectively.

According to the survey, the information glut results in procrastination and time-wasting, delays to important decisions, distraction from main job responsibilities, tension, stress and loss of job satisfaction and, in many cases, illness and the breakdown of personal relationships.

"Having too much information can be as dangerous as having too little," says David Lewis, a psychologist who analysed the survey's findings. He adds: "Among other things, it can lead to a paralysis of analysis, making it far harder to find the right solutions or make the best decisions."

Firefly Communications, fax +44 171 385 4788 or e-mail ojeremy@firefly.co.uk, £40.

Europe's top 10 IT spenders

Company (\$m)	Spending (\$m)
Siemens	2,050
Philips	2,020
Royal Dutch Shell	1,750
Barclays	1,550
ING	1,370
Allianz Holdings	1,070
ABN Amro Bank	1,050
HSBC Holdings	1,000
France Telecom	980
BT	920

Source: Spence Case

sharply, according to the annual employee communications and technology survey by Stamford-based Cognitive Communications.

About 85 per cent of the 162 companies which responded are planning, piloting or installing an intranet, while 43 per cent have a working intranet.

Victoria Mellor, Melcrum Publishing, fax +44 181 960 6144, ERS, Cognitive, fax +1 203 328 3081 or e-mail info@cognic.com

Europe's big spenders

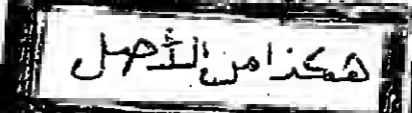
Europe's top 100 spenders on IT are investing \$47bn (£30bn) this year, up 12 per cent on the \$40bn they spent in 1995. Germany and the UK dominate the top 100 with 26 and 25 entrants respectively, followed by 21 in France, according to a survey for Information Strategy magazine.

The impetus for the increased investment was business restructuring and the pressure for high-quality customer services.

Vanessa Land, Devonshire Marketing, fax +44 1895 625240, e-mail 100741.1185@compuserve.com

Business & Environment

The weekly Business and the Environment Page will be relaunched in a new monthly format on Wednesday November 6.



Television/Christopher Dunkley

Style rather than substance

So this is television's autumn season? Where are the "Must-see in tonight" programmes? From the eternally multiplying but impoverished satellite and cable channels we expect little but noise and nonsense... But considering the hundreds of millions spent by the terrestrial networks it is surely fair to expect from them something that grabs the attention and the imagination. It only takes one real hit to make a season - a 'Fringe' or 'Prejudice' or 'Life On Earth' - making you feel there really is some significance to the switch from summer to autumn schedules.

But for anyone who left the country early in September and did not return till early October, the most striking aspect is the sameness: same as last month, same as last year, and in many cases same as last decade. Tonight you can watch 'Tomorrow's World', 'Star Trek: Voyager', 'Street', and 'The Love and Affection' on Channel 4. Three you could have seen in 1986, though you would have had to wait until 1970 for the first sight of Jack Rosenthal's 'Love'. What has struck me most after a four week absence is the ominous growth of bauble televi-

sion programmes which are all show and no substance, like Christmas decorations. Take 'All Rise For Julian Clary'. This is a vehicle for Clary to parade that style of camp homosexuality to which television first introduced us in 'The Naked Civil Servant'. There are muscley chaps in "Tom Of Finland" outfits - black leather hotpants, chains and peaked leather caps - to carry Clary around, and from the title to the end credits ("and", gosh that's rude) every line is a Julian and Sandy double entendre. The pretence is that Clary is some sort of judge, deciding between a mother and daughter over room tidying, or between London citizens and a sculptor over some expensive bent metal. But the truth is that almost any formula would have done to get Clary - undoubtedly a talented and funny man - on screen for half an hour to display his particular sort of camp exhibitionism. This is simply a style programme. With 'Neverwhere' no one even pretends that anything other than style matters. A drama series described as an "urban fantasy" it borrows the rust-bucket futurism of 'Blade Runner', the outer-worlds exoticism of the bar in 'Star Wars', the children's cinema antics of 'Indiana Jones', the costumes from 'Blake's Seven', and the dialogue of a sword and sorcery movie ("Before King Lud founded the villages on the Thames marshes there was a labyrinth here") stirs them together and throws the resultant salmagundi at the screen. It looks like a dungeons-and-dragons computer game for tired teenagers.

In the series nominally about food fronted by Keith Floyd and Gary Rhodes, television squeezed out much of the cookery to concentrate on the personality of the cooks and on the prettiness of the locations. A new form - the cookingogue - was created. In this season's new cookingogue, 'Two Fat Ladies', it expands with Jennifer Paterson and Clarissa Dickson Wright predictably brewing up on a camper stove beside the sea, quartering the country on a great hunch motorcycle combination (or so we are led to believe, though whenever I have met Paterson she has been riding a teeny little Hooda 90 solo) and letting us know that there are still some people who enjoy drinking, smoking and gorging on cream. But could you actually cook any of these dishes after watching the programmes? Possibly, if you already knew how to make a white sauce, how much celery you need for six, and so on. The fact is that these, too, are essentially style programmes. The appearance is far more important than the content, which is why nobody actually bothers giving recipes.

Of course there is, at least in the UK, still an enormous amount of worthwhile television on offer. Last week's 'Panorama' on BBC1 provided an engrossing report on James Goldsmith's Referendum Party. Next night in

'Timewatch' BBC2 screened a hair raising documentary by Paul Lashmar on the terrifying antics of the US Strategic Air Command during the cold war. Not long after it ended, ITV's 'Network First' finally told what sounded like the true story of the sinking of the Hall trawler 'Gaul' in 1974; another nasty little footnote to the cold war.

Next night Channel 4 offered 'Rory Bremner... Who Else, the only programme which, like 'Private Eye', keeps on ridiculing the humbug to politicians of all stripes - an activity which often attracts groans but which in a proper democracy needs to be done and done and done. At the weekend in 'The Untouchables' on BBC2 the unique and invaluable Kenneth Griffith, with his now familiar technique of acting all parts and narrating everything else, painted us a vivid portrait of another of his heroes, Dr Am Bedkar, champion of India's "untouchables". In 'Deadly Voyage' the same network dramatised the horrible yet undeniably gripping story of the murder of eight Ghanaian stowaways and the survival of just one to tell the tale and send the perpetrators to gaol. Channel 4, sticking to its last in the teeth of puritan obscurantism from the likes of the Daily Mail, told the remarkably moving 'Mary Millington Story', Millington being Britain's only true queen of pornography in the 1970s. Next night Channel 4 told the fascinating story of the killer bees from South America in 'Equinox'. Judging from what can be seen at international television markets, conferences and festivals, British viewers are probably still the best served in the world when you consider the full spectrum of television. The trouble is that the baneful programmes command disproportionate attention, and increasingly so. The world of hype - of unremarkable "celebrities", over promoted books, hysterical marketing - seems to expand exponentially. Yet the quiet, high quality programmes are still there, and in impressive quantities. As with print we must learn to live with what frequently proves to be an inverse ratio between razzmatazz and true quality.

Theatre Going out of fashion. Night Must Fall, Emyln Williams' 'provocative' is back in the West End for the first time since its premiere 60 years ago. It typified the moribund form most post-1956 British theatre has widely rejected: the "well-made play", usually crudely constructed and predictably staid.



Rosemary Leach and Jason Donovan: miscast in Emyln Williams' 'Night Must Fall' Alastair Muir

In an oppressive bungalow's drawing-room at the heart of Epping Forest, a wheel-chair bound "old hag", Mrs Bramson, torments her blue-stocking niece, Olivia, and her long-suffering servants. Into this closed world steps Dan, the local hotel's bell-boy, a womanising charmer who is at once the prime suspect for the murder of a floozy, whose headless corpse has been found at the bottom of Mrs Bramson's garden. This is not a whodunnit. Williams deliberately drops tenuous clues like clangers: "it's a fine day - it'll cloud over I expect"; "she'll be found murdered one of these days", etc. We are meant to experience the play like Greek tragedy: the inevitable doom that as sure as day is day, night must fall. However the drama does not so much unfold as drag on. There is no compelling insight into the hutchering evil or the pursuit of infamy of the psychopath. John Tydemann's production - set in what looks like a Bavarian hunting-lodge rather than a 1930s Essex bungalow - lacks suspense. He is not helped by the casting. Rosemary Leach is dull as the son Mrs Bramson, and Jason Donovan, as Dan, may be trying to stress the alien peculiarities of his character, but he is too shabbily modern for this period piece (misinstigated by producer Bill Kenwright). Donovan wears pet slacks, smokes a woodbine as if it were a joint and clownishly shambles, scuffing his feet. He has a thinning, fashionable mop of blond highlights and an accent which fails to land either side of the Irish Sea (Williams created the role for his Welsh-accented self). Olivia finds that Dan is a man who is never himself, who is always acting (the opposite of Donovan),

and who lives a fantasy born of his maniacal imagination. Donovan mindlessly dons his imaginary cap and wiggles an ineffectual finger in a vain effort to find an idiosyncrasy in what is meant to be a charismatic character. When he is supposed to be sinister or deranged, Donovan just looks knock-kneed and emotionally constipated.

The play employs a different sort of clashing modernity to Donovan's in order to stress old Mrs Bramson's metaphorical isolation: there is a new "by-pass" around the local village, while the bungalow is not even wired up for electricity nor on the telephone; and Mrs Bramson's favourite read is the out-moded,

melodramatic 'East Lynne'. But Williams' 'Night Must Fall' is to us what 'East Lynne' was to him: mid-fashioned piffle. Simon Reade At the Theatre Royal, Haymarket, (0171 880 8800).

Theatre Lustful pursuits

In a recent interview, George Cole remarked, "You can't go to a show called 'Lock Up Your Daughters' and come away offended, can you?" Well, yes and no. Thirty-seven years on from its premiere, this musical adaptation of Henry Fielding's 1730 farce 'Rape upon Rape' achieves the unsettling feat of making allegations of rape seem not just trivial, but tedious.

question the persistent use of accusations of rape to drive events along. Rayne's production is something of a curate's egg. The good parts include Sheila Hancock's performance as Mrs Squeezum, striking the kind of demurely ruffled note which was the particular province of the late Beryl Reid; Norman Rossington enjoying his stint as Captain Gabbie and comprehensively outfussing David Henry as Pollic; and Laurie Johnson and Lionel Bart's occasional moments of musical inspiration when writing, say, a duet for a pair of tongue-tied lovers reduced to padding their lines out in 18-century scat, or the magnificent rhyme of "plague you" with "ague".

Ian Shuttleworth At Chichester Festival Theatre until November 2 (01243 781312).

Pierre Corneille's 'Horace' has waited over 350 years for its British premiere, and it is not difficult to see why. This historical tragedy piles moral conundrum upon moral conundrum and opposes characters like a game of chess. The plot unfolds with mathematical precision - characters advance their arguments in long speeches and there are no pauses for light relief.

concepts of honour a dreadful prospect, since every family has relatives in the opposite camp. At the last minute their leaders decide to choose two sets of warriors to take on the combat. Horatius and his two brothers are chosen for Rome; Curatius and his brothers for Alba. But Horatius is married to Curatius's sister; and Curatius is betrothed to Horatius's sister: private grief is inevitable. Corneille distills the horror of war down to the devastation of two families. Armed with Alan Brownjohn's supple new translation and Roy D. Bell's vaguely classical costumes, the production brings the tragedy close without forcing it out of its mythical time. Blake's direction is taut, and movement director Lynn Seymour avoids the danger of people standing like pillars and spouting. The four central performances are nicely contrasted. Lonise Bangay's intense Sabina complements Esther Hall's pliant Camilla. As Curatius, Alex McSweeney is muscular and manly, yet capable of a moment of doubt, while Jake Nightingale, as Horatius, is as unbending as his sword. His eyes take on a fanatical glint when he mentions Rome, which makes for a strong reading but upsets the balance. The concept of "honour" is a hard one for today's audiences and the arguments are more powerful if we both admire and abhor Horatius; but we just deplore him. Nonetheless, this production makes Corneille's intelligence and compassion ring with new urgency. Sarah Hemming Lyric Studio, London W6 to October 19. (0181-741 2311)

INTERNATIONAL ARTS GUIDE

AMSTERDAM EXHIBITION Van Gogh Museum Tel: 31-20-5705200. The Colour of Sculpture 1840-1910: this exhibition demonstrates the methods and materials used by 19th century artists to apply colour as an expressive medium to their sculptures; to Nov 17.

COLOGNE CONCERT Kölner Philharmonie Tel: 49-221-2040820. Budapest Symphony Orchestra: with conductor Tamás Vásáry and pianist Grigory Sokolov perform works by Liszt, Chopin and Bartók; 8pm; Oct 20.

HAMBURG OPERA Hamburgische Staatsoper Tel: 49-40-351721. Der König Kandaules: by Zemlinsky. Conducted by Gerd Albrecht and performed by the Hamburgische Staatsoper. Soloists include Thomas Moser and Monte Pederson; 7pm; Oct

HELSENKI EXHIBITION The Museum of Foreign Art, Sinebryhoff Tel: 358-0-17336380. Paper Mirror - Reflections from Rembrandt to the Present: works by Outi Heiskanen, Marja Kanervo, Kirsi Tittanen and other contemporary graphic artists are presented alongside works by masters such as Rembrandt, Goya and Piranesi. An exhibition presented in co-operation with the Himmelsblau Graphics Workshop; from Oct 17 to Jan 5.

MADRID CONCERT Auditorio Nacional de Música Tel: 34-1-3370100. Orquesta Sinfónica de Madrid: with conductor Christian Badea perform works by de Falla, Stravinsky and Brahms; 10.30pm; Oct 18.

PARIS OPERA L'Opéra de Paris Bastille Tel: 33-1-44 73 13 99. Káťa Kabánová: by Janáček. Conducted by Ingo Metzmacher and performed by the Orchestre at Choeurs de l'Opéra National de Paris. Soloists include Nancy Gustafson, Tom Krause and Larissa Dladkova; 7.30pm; Oct 19.

WORLD SERVICE BBC for Europe can be received in western Europe on medium wave 648 kHz (463m). EUROPEAN CABLE AND SATELLITE BUSINESS TV (Central Europe Time). MONDAY TO FRIDAY NBC/Super Channel. 07.00 FT Business Morning. 10.00 European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets.

Ian Davidson

Mildly sceptical

British hopes that the Dutch presidency of Europe may ease their problems with closer integration are forlorn

Is it possible that the Dutch may be turning Eurosceptic? It sounds unlikely. From the beginning they have been in the vanguard of support for the ideals of European integration...

lost some of their former idealism or enthusiasm about European integration but nothing like enough to ease, let alone solve, the British problem.

In the Netherlands, Mr Bolkestein may give the Dutch a frisson with his sulphurous challenge to the conventional rhetoric; but in Britain he would appear to be a convinced, if narrow-minded, pro-European.

The cooling of Dutch public opinion is clear. In a recent poll, 40 per cent wanted a referendum before any further progress in European integration...

At their recent meeting in Dublin, European heads of government decided that the intergovernmental conference (IGC) for reforming the European Union must be wound up next June. This timetable gives the Dutch a leading role in stage-managing the closing phase of the IGC.

No one can avoid further integration of Europe. It is a necessity. The voters know their income depends on Europe

Such hopes are way off beam. The Dutch may have

mitment to increase employment. Mr Bolkestein, who used to be a businessman, comes across as a hard-nosed, no-nonsense free-marketeer - but not as a Eurosceptic, at least not in the British sense.

In the autumn of 1991, when the Maastricht negotiation was entering its final phase, the Dutch government proposed replacing a moderate Luxembourg draft treaty with an overtly federalist text. It was rejected outright by the other member states in September of that year.

Mr Bolkestein has this much in common with Britain's Eurosceptics: he openly denounces the idea that his country should be a net contributor to the EU budget, and condemns the structural subsidies for the poorer member states.

Mr Jacques Wallage is the parliamentary leader of the Dutch Labour party. "No one," he says, "can avoid the further integration of Europe. It is a necessity.

The voters may be less idealistic than me, perhaps; but they know their income depends on Europe.

I asked him about Germany, for it is commonly said that the Dutch still hate the Germans.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5936 (please set fax to "fine"). e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.ft.com Translation may be available for letters written in the main international languages.

Wishes of people must come first

From Mr John Wilkinson MP

Sir, It was good to see the seriousness of the issue of economic and monetary union addressed in your editorial "New money for Europe" (October 14). You are wrong in saying there has not been a serious debate about EMU in the UK.

I also talked about the British problem with Ms Yvonne van Rooy of the opposition Christian Democrat party. "The feeling of the Netherlands for Britain has changed," she said. "We used to feel close to the UK. But now there is so much disappointment with the Major government...

The very real issue of sovereignty, under-emphasised in your editorial, should impel the government to put the wishes of the British people first before there is any question of their country's currency being abolished...

John Wilkinson, House of Commons, London SW1A 0AA, UK

From Mr Simon Dye

Sir, With only Luxembourg meeting the strict economic criteria and in the past month even Spain and Italy announcing their intention to try and join the EMU bandwagon, the real danger must be that political expediency will override economic logic...

Simon Dye, 78 All Saints Road, Cheltenham, Glos GL52 2EA, UK

US hand in sustaining oil prices

From Mr P.R. Odell

Sir, Your energy correspondent argues ("A wellspring of demand", October 12/13) that the causes of the recent sharp increases in international crude prices are "mundane" - related entirely to short-term market considerations.

There is an alternative explanation about which I warned two years ago (see "International Oil: a return to American Hegemony" in The World Today, November 1994). The US has never disguised its concern for the security of oil supplies...

satisfies the revenues required by its allies in the gulf, notably Saudi Arabia. This implies restricting supplies from elsewhere so, in addition to an unbending stance on oil exports from Iraq, it has imposed sanctions on the Libyan and Iranian oil industries...

Ineffective though these actions may be in achieving large reductions of oil flows they can, nevertheless, create that marginal fall in supplies which makes all the difference to traded oil markets in the short term.

Moreover, US oil companies remain large producers of internationally traded oil and can fine-tune supplies. A few decisions by

the companies to shave mmpnt by very modest volumes from a variety of locations would serve US policy needs; and, of course, hardly be adverse to the companies' upstream earnings.

Finally, it is merely a coincidence that US oil geologists related to federal institutions appear to have chosen the present moment (see The Geopolitics of Energy, September 1996) to resurrect the ancient - and discredited - notion that the world is about to run out of the ability to sustain current levels of production?

P.R. Odell, Erasmus University, Rotterdam, The Netherlands

Nation in the grip of a Great Serpent

From Mr David Peterson

Sir, What are readers to make of Michael Prowse's version of America, which appears every Monday? After reading "Gomorrah beckons" (October 7), his entirely sympathetic review of Robert Bork's new book, Stouthing Towards Gomorrah, I found that question kept doing somersaults in my head.

It seems that Prowse's (not to mention Bork's) America lies in the coils of some Great Serpent, bent on squeezing the last gasp of virtue from the land.

The only question left unanswered is whether the Lord will rain down fire and brimstone from the sky on this America today or wait until after the elections. Neither Bork nor Prowse

is committal about His schedule. Perhaps their calendars are full?

Just what kind of serpent has us in its coils is another matter. Prowse's catalogue was illuminating. All the usual suspects of the rightwing's Kulturbkampf turn up on his police blotter: rap music, violent and pornographic films and videos, the O.J. Simpson trial, out-of-wedlock births, crack cocaine, and the rest of the "symptoms of a cultural and moral decline that is assuming terrifying proportions".

America is reeling from that "awful decade", the 1960s, Prowse's tablet of sins contains "Fit", "multiculturalism", "diversity", "radical egalitarianism" and "such irrational dogmas as

progressive income tax" (a system Prowse denigrates as "a product of pure envy") and "racial quotas". Then, there's "radical individualism", "rampant feminism" and "political correctness".

Odd, but probably a greater number of Americans have been able to partake in a greater share of the good life on account of "modern liberalism" than thanks to anything Prowse, Bork, et al would ever brook in any society they ruled as philosopher kings. Again, the rightwing's Kulturbkampf is in ascendancy here. That settles it. Say no more.

David Peterson, 9401 S. Springfield, Evergreen Park, Illinois 60805, US

Dark side of 'green' fuel

From Lady Thomas of Skrympton

Sir, Fibrowatt's "green" fuel ("Chickens give power station its energy", October 4) derives from the dung of "barn" chickens kept in vast sheds in conditions of such high density that no ground is visible. They never see daylight during their short lives, are fed antibiotics to combat diseases, many die trampled under their fellows, and more have broken legs and other deformities.

The success of Fibrowatt makes it improbable that the battle to alleviate the plight of these unfortunate animals will for the time being succeed. Instead, huge increases in numbers, worldwide, seem likely until, if "mad cow disease" is anything to go by, human health is threatened.

Vanessa Thomas, 75 Bay State Road, Boston, Mass 02215, US

Little to add

Mr T.S. Bunch

Sir, I was amused by Jancis Robinson's reference ("The tasteless food society", October 5/6) to Greek salad ("just add lettuce"). It reminded me of some packets I once spotted on a market stall of French dressing mix ("just add oil and vinegar").

T.S. Bunch, 16 Clifton Park Road, Davenport Park, Stockport, Cheshire SK2 6LA, UK

Cardiff Bay advertisement featuring an image of the bay, text describing development, and contact information for Cardiff Bay.

New designs on success

Soaring sales of luxury goods are driving bold plans by fashion houses, says Alice Rawsthorn

Anyone wondering why a conservative French businessman should have hired a self-styled East End "oik" who brags of having scrawled obscenities in the lining of the Prince of Wales's jacket should look at Gucci's share price. Once dismissed as a spent force, Gucci has become one of the world's hottest luxury labels in the four years since Tom Ford, a young Texan, took charge of its design. Gucci's share price has almost trebled since it went public a year ago.

12 per cent for this year and next year. LVMH should be well positioned to benefit from the market's buoyancy, as Dior, Givenchy and Vuitton are among the most celebrated luxury labels. But its brands, like other traditional French names, have been hampered by the strong franc and the shift in consumer taste from classic Paris chic to the sportier styles associated with Italian and US designers.

LVMH's perfumes, by far the most profitable business for fashion brands such as Dior and Givenchy, suffered a fall in interim operating profits. Dior's latest fragrance, Dolce Vita, and Organza, the new Givenchy scent, have sold fairly well. But both have been surpassed by the new best-sellers, L'Oréal's Polo Sport and Estée Lauder's Tommy Girl. They share similar sporty images and are linked to US fashion designers, Ralph Lauren and Tommy Hilfinger respectively.

and McQueen has hit the tabloids with his buttock-revealing "bumster" trousers.

Both Britons have proved their ability to woo the press, and Jacobs seems assured of patriotic coverage in his native north America. "They're sure to generate more media attention, but that doesn't necessarily translate into higher sales," comments Mr de Boisgelin.

His concerns are reinforced by Givenchy's progress in the year since Galliano became its chief designer in preparation for his move to Dior. He has raised Givenchy's profile and attracted younger couture clients, but not enough to compensate for reduced orders from older ones. Omnibus, sales of Organza, the first new scent since his arrival, have been respectable, but not scintillating.

Some observers suspect it may be easier for Marc Jacobs to commercialise LV's kitsch status, just as Tom Ford profited from the early 1990s cult craze for Gucci loafers, than for the Britons to transform Dior and Givenchy.



On the catwalk: Arnault is gambling on success

Mr Bernard Arnault, chairman of LVMH, France's largest luxury goods group, is now trying to replicate its success by placing three of his best-known brands in the hands of hip young designers. John Galiano has been drafted into Christian Dior, Marc Jacobs into Louis Vuitton, and the Alexander McQueen, the "oik", into Givenchy.

Yet for every success story such as Gucci there are designers whose attempts to rejuvenate luxury brands have flopped. Claude Montana only lasted a few seasons at Lanvin, and even Karl Lagerfeld, who successfully revitalised Chanel in the 1980s, could not salvage Chloé. Mr Arnault is gambling that his trio will be among the successes.

Whatever the odds on his gamble, Mr Arnault had to take them. Luxury sales are soaring. The established markets of north America, Europe and Japan are buoyed by economic recovery, and fertile new markets are emerging in Asia and Latin America.

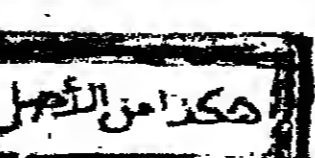
Mr Arnault, renowned for his ruthless approach to business since winning the battle for control of LVMH in the late 1980s, is retreating by investing in his brands. A 21-storey Louis Vuitton superstore is under construction in New York.

The appointment of the three young designers is a critical part of Mr Arnault's recovery strategy. Marc Jacobs, 36, a photogenic New Yorker, has been hired to create a clothing line for Vuitton in the hope that he will modernise its image among the young luxury consumers now flocking to Gucci and Prada.

John Galiano, 36, and Alexander McQueen, 27, have similar briefs at Dior and Givenchy. Both are known for flamboyant personalities and iconoclastic designs. Galiano is given to greeting fashion editors with "Give us a anog, girl!",

Several designers, including Helmut Lang and Paul Smith, have rejected opportunities to join famous Paris houses, despite the financial security they provide.

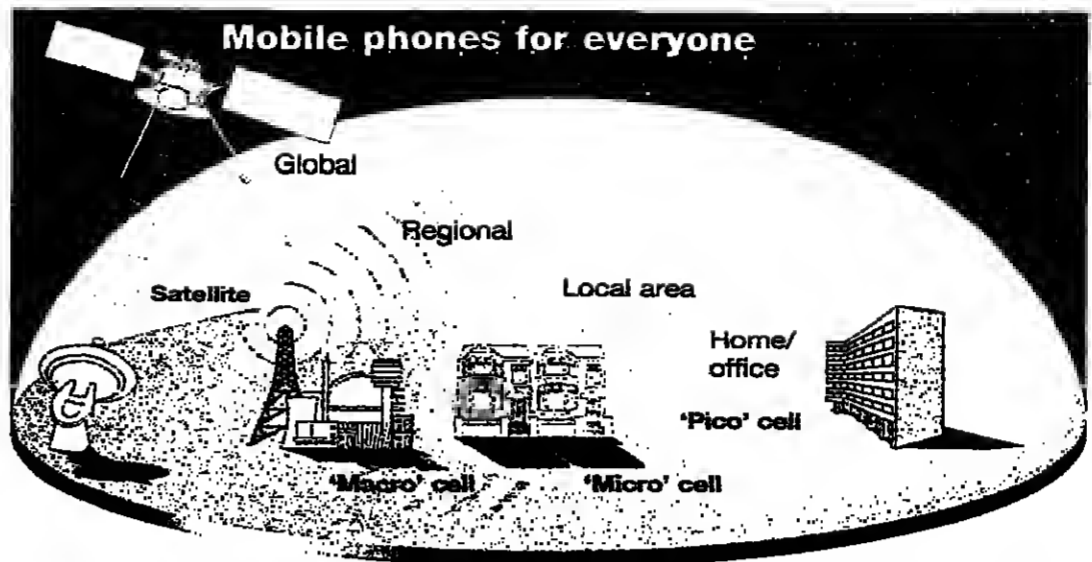
LVMH can seek solace in the fact that Tom Ford's success at Gucci proves that it is possible to revitalise old-fashioned luxury labels. But even Mr Arnault's confidence must have faltered last week when, after long reviews for its latest collection, Gucci's share price fell 11 per cent in five days.



COMMENT & ANALYSIS

No clear line to profit

The rise of the mobile phone is unstoppable but making money from this new mass market is not so certain, says Alan Cane



The world's top cellular markets

Table with columns: Country, System, Launch, Subscribers (million) Jan 1 96, Jan 1 95, Yearly growth (%), Number of subscribers per 100 inhabitants. Lists countries like US, Japan, UK, Germany, Italy, Canada, Australia, China, Sweden, South Korea, France, Thailand.

Source: International Telecommunications Union, Mobile Communications

FINANCIAL TIMES

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Wednesday October 16 1996

ERM entry for Italy

Over the last month or so, a number of painful truths have been brought home to the Italian government: monetary union is likely to go ahead in January 1999; Spain and Portugal are more plausible candidates than Italy; and, worst of all, the Maastricht treaty criteria are unlikely to be laid aside in its favour. This explains the larger-than-expected budgetary package from the government of Romano Prodi. But it has also made discussions of the lira's re-admission to the exchange rate mechanism more important than before.

Over the water

For most of this millennium London Bridge was falling down. The first wooden bridges were burned or washed away. The famous stone bridge, begun 800 years ago, stood on such massive piers that the waters poured through, scouring out the foundations. Still it remained the only crossing, complete with its houses, chapel and gatehouse (once festooned with severed heads), until the 1750s.

Welfare reform

Frank Field MP did the opponents of radical welfare reform a big favour yesterday in publishing his detailed plans for overhauling the UK system. In one short volume he provides all the reasons why sensible politicians - of all parties - seem more or less resigned to living with the status quo. But he has also spelt out the kind of country they might have to live in as a result.

The mobile phone went from yuppie accessory to indispensable business tool in less than two decades. Now it seems set to vie with the fixed-line telephone as the personal-communications device for the mass market.

But the industry faces a tough time before the cellular phone becomes ubiquitous. Revenues per customer will fall because of increased competition and a rise to the ratio of low-spending residential customers to high-spending business users.

Heavy investment in network infrastructure and customer billing systems is inevitable. And established operators have the delicate and expensive task of moving millions of customers from today's outmoded analogue networks to the digital variety.

Research suggests that subscribers will turn to mobile phones for the majority of their outgoing calls only when mobile charges are in line with fixed-network rates and offer equivalent quality and reliability.

Nevertheless, the mobile future, to paraphrase the advertisement for Orange, the UK operator, seems bright. Mr Nicholas Negroponte, head of the Massachusetts Institute of Technology Media Lab, projected a vivid picture of mobile communications in his recent book *Being Digital*.

standards battle reminiscent of the video recorder wars of the 1980s is looming in digital mobile telephony. The world's mobile networks are shifting from the older analogue transmission to digital technology because of the improvement in speech quality, increase in network capacity and greatly enhanced security that digital cellular systems confer.

enthusiastic users, with penetration rates of more than 26 per cent. The US, with 38m subscribers, has a penetration rate of only 14.5 per cent while the UK, western Europe's largest market with just over 6m subscribers, shows a penetration rate of just under 13 per cent.

Competition among a swathe of mobile operators is forcing down call charges to the point where they will be affordable for most of the population. Some of these operators - AirTouch of the US and Vodafone and Cable and Wireless of the UK - have made substantial overseas investments and can claim to be global wireless communications companies.

The annual value of the global market for mobile telephony is expected to grow from \$58bn in 1995 to \$150bn by the end of the decade, according to Mr Nell McCartney, editor of the newsletter *FT Mobile Communications*.

communications in areas of dense population. The US is lagging behind in the move to digital, although there are some 100,000 customers for the European standard there. Most US mobile phones use the analogue AMPS system.

OBSERVER

Armstrong to ring bells?

As the guessing game as to who will secure the president's seat at AT&T reaches fever pitch, an announcement is expected today - attention has focused in the final lap on Michael Armstrong at General Motors subsidiary Hughes Electronics.

Gold dust

The phone failed to ring on a large number of desks this morning as Goldman Sachs bestowed just 36 of its coveted partnerships.

Hunt for a world standard

But most excitement surrounds the newly-created role of managing director. That means some more cash - but not the virtual promise of millions rolling in for years to come, nor the bragging rights which come with having penetrated the rarefied upper echelons of the 127-year-old partnership.

Minister inflation

Well, Thailand now has its fourth finance minister in 15 months. Chaiyayaw Wibulswadi is on loan from the central bank, where he is deputy governor, and the place to which he will be returning after next month's election - when the country can look forward to its fifth finance minister in 16 months.

Hard-pressed

A section of the French press took time off yesterday from one of its favourite sports - denouncing the privileges of others - to complain about the abolition of one of its own perks.

100 years ago

Abuse of Lawyers The abuse of lawyers is a very favourite occupation with some people, but it is not often permitted to us in this country to witness an exchange of amenities such as that which occurred a few days ago in the United States during the hearing of a case affecting the interests of the Chicago Gas Companies.

pending industry. But there are fundamental challenges. The chief problem is declining revenues per subscriber. Residential subscribers use their phones less than business customers and are more conscious of cost. Mr Alex Nourouzi of the London-based consultancy Ovum calculates that revenues per subscriber in western Europe will fall from \$773 in 1996 to \$526 in 2000 before rising again in the new millennium.

Earlier this year the consultancy CIT noted gloomily: "In western Europe, because nearly all growth in the market is coming from 'low call' or personal subscribers, the average revenue per subscriber for the market as a whole is plummeting."

For mobile phone companies, the harsh climate means paying close attention to costs and margins. Mr Sam Ginn, chief executive of AirTouch Communications, emphasises the importance of reducing costs per unit faster than the decline in average revenues.

All companies, however, will have to manage "churn" as they broaden their subscriber base to include the mass market. Churn is a measure of the proportion of customers who leave the network or are disconnected for bad debts or fraud. It has been very high - as much as 40 per cent in the worst years - and high churn is associated more with residential than business customers.

In the west, a particular cause of churn has been the fact that handset prices have been kept artificially low by heavy subsidies from operators and their intermediaries. Subsidised handsets broaden the market but raise costs for operators and create confusion in the minds of their customers about the real costs of a mobile service.

The rise of the mobile telephone as a consumer product is unstoppable. Like the car, the television and the personal computer, it extends the powers of the individual in a way that makes its triumph inevitable. But for the next few years the mobile operators and investors in mobile companies will have to pick their way carefully through the obstacles if they are to benefit from this new mass market.

Financial Times

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Motor groups announce \$2bn investment plans

By Haij Simonian and
John Griffiths in Birmingham

Investment projects worth more than \$2bn were announced by motor groups at Britain's international motor show yesterday.

Plans were unveiled by Rover, Proton and Vauxhall at the event in Birmingham.

Rover, the British subsidiary of the German BMW group, revealed a £400m project to build a new model in its four-wheel-drive Land Rover series. It will fit in beneath its Discovery and Defender ranges to compete with Japanese rivals such as Toyota and Honda.

The project is part of a £3bn, six-year investment programme agreed by BMW when it bought Rover in 1994.

Proton, the Malaysian car-maker, announced plans for a new factory near Kuala Lumpur to produce 1m cars a year.

The new modular plant will be built in four stages, starting with a facility to make 250,000 vehicles a year from early 1999. Proton, formed in the 1980s to build a "national" car,

Rover, Vauxhall and Proton unveil expansion proposals

has become increasingly active in export markets. This year it will produce 190,000 cars, rising to 230,000 next year and a planned 500,000 by the turn of the century.

The group said it was talking to a number of potential foreign partners to supply technology for its new range of vehicles.

Vauxhall, the UK subsidiary of General Motors of the US, said it would spend £200m by 1998 to restructure and expand its factory at Ellesmere Port on Merseyside.

Once renowned for poor industrial relations and disappointing quality, the factory has improved its productivity substantially, but is now suffering from an outdated design which the new investment will help to modernise.

Ellesmere Port is one of GM's main factories for the Astra hatchback, which competes in the biggest segment of

the European car market. The new money will raise Astra output by more than 10 per cent to about 160,000 units a year in time for the introduction of the next-generation Astra in about two years.

Mr Nick Reilly, Vauxhall's chairman, said the factory might also produce the Corsa, GM's smallest European car.

"We believe there is a possibility GM will need to invest in more Corsa capacity. If so, we will put our best foot forward," he said. No decision is expected for at least a year.

Meanwhile, TVR, the small UK producer of high-performance sports cars, launched new six and 12-cylinder engines. This confirms a sharp upswing in TVR's performance, with output expected to soar by about 50 per cent to 1,500 cars this year.

See Lex: Proton's 1m cars, Page 7; Motor Show, Page 8

EU in talks on trapping methods in bid to avoid fur ban

By Caroline Southey
in Luxembourg

The European Union plans to dilute demands for a comprehensive ban on the use of leg-hold traps in fur-producing countries, in a bid to avert its threatened block on imports of furs early next year.

The EU has been at loggerheads with Canada, the US and Russia for five years over the use of leg-hold traps. The row has particularly soured relations between Ottawa and Brussels. Limit communities in Canada have condemned the EU for threatening their livelihoods.

Pressure is mounting on both sides to settle the dispute before the January 1 deadline for the fur imports ban to start.

"The EU looks set to agree the compromise. It is moving in some areas," an EU official said yesterday at an environmental ministers' meeting in Luxembourg where the issue was discussed.

But, he added, "flexibility will have to be shown on all sides". The EU has demanded that unless Canada, the US and Russia ban the use of leg-hold traps or implement "humane trapping standards", Brussels will impose a block of imports of furs from animals caught in this way.

Canada and the US have warned they will refer the issue to the World Trade Organisation if the EU presses ahead with the ban.

The EU has delayed its implementation for two years to give fur exporters more time to devise alternative trapping methods. The delay was strongly opposed by environment ministers from Austria, the UK, the Netherlands and Sweden.

The EU, Canada, the US and Russia moved closer to a deal after talks in St Petersburg last week, settling 12 out of the 16 points in the proposed agreement.

The four outstanding issues include a Canadian demand that the ban on leg-hold traps be phased in over 10 years and a parallel demand for the continued use of padded traps.

However, a deal with the Canadians could face stiff resistance from environment ministers in the EU council of ministers.

EU officials predicted that there could be a sufficient number of member states to block the agreement in the council.

Environment ministers from the Netherlands and Austria yesterday threatened to introduce unilateral bans on imports of fur if the EU failed to secure a tough agreement with the fur-producing countries.

US railways merger plan

Continued from Page 1

only freight trains. Passenger train services are operated by Amtrak, an ailing public sector body which pays the private railroads for the use of their tracks.

CSX and Conrail said that one benefit of the merger would be the opportunity to divert freight trains away from some of the busier Amtrak routes in the north-east and put them on alternative, freight-only routes. This would enable Amtrak to improve services.

However, the biggest benefit to CSX and Conrail will be the greatly enlarged range of destinations they will be able to offer their freight customers without the need for costly and time-consuming transfers between separately owned networks.

Strong recovery by Ecu on hopes of Brussels pledge

By Gillian Tett,
Economics Correspondent

The European basket currency, the Ecu, has strengthened sharply in recent weeks, partly in anticipation of a firm commitment today by the European Commission to fit a one-to-one parity between the Ecu and the new euro.

The Ecu yesterday closed at its highest level for more than two years against the D-Mark at DML920.

At this rate, the Ecu's traded value is almost equal to its nominal level calculated by adding the value of the different weights assigned to its 12 component European currencies.

In sharp contrast, investors were so reluctant earlier this year to buy Ecu that its market value was almost 3.5 per cent cheaper than its nominal value.

The recent rally partly reflects growing faith that European monetary union will take place and the euro will be created.

But it also comes as the European Commission prepares to issue new pledges about the future of the basket currency after monetary union.

Over the last two years, investors have been deeply concerned about how the Ecu would be treated if Emu starts, as planned, in 1999. European governments last

year promised that the currency would be converted into euros at a rate of one to one. The Commission issued draft legal proposals this summer to put this into practice.

But some lawyers feared these proposals would not cover all Ecu contracts. As a result, some investors are reluctant to buy Ecu.

The Commission will today issue strengthened proposals for Emu's legal framework.

The new proposals state that "every reference in a legal instrument to the Ecu" is replaced by the euro, at a rate of one to one - and note that this principle "shall be presumed" to apply irrespective of how a contract defines an Ecu.

As a further reassurance, the Commission is also proposing to introduce the legislation as early as next year in a manner that can be applied to all European Union countries - including those states that do not belong in the European monetary union.

The Commission's proposals will now be discussed by governments, which are expected to adopt the legal framework at the end of the year.

The Commission's move has helped reassure lawyers and investors. Mr Cliff Dammers of the International Primary Markets Association, an association of bond traders, said yesterday: "These proposals are something we are now comfortable with."

Currencies

Continued from Page 1

over Emu and from the rise in oil prices.

Institutional investors, particularly US funds, have come to believe that rising UK economic growth is likely to continue, suggesting upward pressure on UK interest rates.

This month's conferences of the British political parties had reassured investors that a Labour government would be tough on inflation, while the ruling Conservatives were unlikely to over-stimulate the economy through a "give-away" Budget next month.

FT WEATHER GUIDE

Europe today
The central Mediterranean will have severe weather with thunder storms accompanied by harsh winds, especially along the south-eastern coast of France where steady winds may reach up to 40mph. Cooler air will penetrate Europe from the west. There will be widespread rain on the border between this cool air and somewhat warmer air. Eastern Europe will be mainly fair with a moderate south-easterly breeze. The eastern Mediterranean will be sunny with afternoon temperatures near 25C. Western Europe, especially the British Isles, will have showers. Isolated hail is also possible.

Five-day forecast
Thunder storms over the Mediterranean will weaken and slowly move east as they weaken. A prevailing westerly flow will cause cool air to spread over the continent. Frequent showers will occur in the cool air throughout the period.

TODAY'S TEMPERATURES
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Maximum	Beijing	sun 22	Caracas	shower 31	Faro	fair 22	Madrid	sun 18	Rangoon	fair 33
Cebu	sun 27	Cardiff	shower 18	Geneva	shower 18	Moscow	sun 19	Sydney	cloudy 10	
Belgrade	cloudy 21	Chicago	cloudy 21	Geneva	fair 22	Nairobi	sun 23	Rio	cloudy 11	
Berlin	fair 24	Glasgow	rain 11	Gilbraltar	fair 21	Manchester	cloudy 12	Rome	thund 21	
Barnack	shower 20	Cologne	rain 11	Hampton	shower 12	Melbourne	sun 18	S. Frisco	sun 21	
Ansterdam	cloudy 14	Dakar	fair 31	Helsinki	fair 5	Montreal	sun 19	Seoul	sun 19	
Athens	fair 23	Delhi	sun 31	Hong Kong	sun 31	Miami	shower 29	Singapore	shower 32	
Bombay	sun 25	Dubai	sun 35	Honolulu	sun 35	Milano	rain 17	Stockholm	drizz 6	
Brussels	cloudy 13	Dublin	shower 12	Jakarta	cloudy 31	Moscow	fair 10	Strasbourg	rain 12	
Atlanta	sun 26	Dubrovnik	thund 20	Jersey	shower 15	Murich	cloudy 18	Sydney	fair 24	
B. Aires	shower 24	Edinburgh	shower 11	Karachi	sun 35	Napoli	show 19	Taipei	sun 26	
Bham	cloudy 13	London	fair 15	Kuwait	sun 33	Nassau	sun 23	Tel Aviv	fair 18	
Bangkok	thund 36	Luxembourg	rain 9	L. Angeles	cloudy 25	New York	sun 23	Toronto	sun 17	
Barcelona	sun 20	Lyon	rain 12	Limoux	cloudy 20	Nice	thund 18	Vancouver	fair 12	
		Madrid	cloudy 24	London	fair 15	Nicosia	sun 25	Vancouver	rain 16	
		Paris	fair 13	London	fair 15	Perth	fair 20	Vancouver	rain 16	
		Perth	fair 20	London	fair 15	Wellington	sun 11	Vancouver	rain 16	
		Prague	cloudy 18	London	fair 15	Wellington	sun 11	Vancouver	rain 16	
				London	fair 15	Wellington	sun 11	Vancouver	rain 16	
				London	fair 15	Wellington	sun 11	Vancouver	rain 16	

THE LEX COLUMN Coupling up

And then there were four - big private US railroad groups, that is. Look at the hefty benefits promised from CSX's \$8bn agreed cash-and-share offer for Conrail, and the industry's merger mania makes powerful sense. From plugging their networks together CSX and Conrail expect cost savings and revenue improvements of \$550m or more a year; set that against their combined pre-tax income of \$1.4bn last year and the deal's commercial logic looks irresistible.

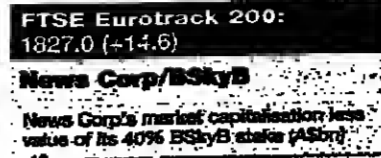
Moreover, their claims are plausible. For one thing, last year's combination of Burlington Northern and Santa Fe Pacific is doing a convincing job - so far - of putting the theoretical benefits of rail consolidation into practice. For another, to get past the necessary regulatory hurdles CSX and Conrail have every incentive to play the financial benefits of their plans down, not up.

The hurdles are real: if the scale of the companies' overlap is anything to go by, customers and competitors can be expected to make noisy objections. Yet CSX and Conrail can almost certainly buy opposition off - at a price, by offering competitors access to their network on favourable terms, as Southern Pacific and Union Pacific did in their merger earlier this year.

A more intriguing question is whether Norfolk Southern, CSX and Conrail's main local competitor, could yet counter-bid for Conrail. For all its bluffing and puffing about consolidation yesterday, Norfolk pointedly left all its options open.

News Corporation
Investors are facing both ways with Mr Rupert Murdoch's News Corporation. They are pushing the shares of BSkyB, its 40 per cent owned UK pay-television operation, to dizzy heights; but the share price of News Corp itself is in the doldrums. The effect is that the implied value of the rest of the business has fallen sharply from nearly A\$18bn (US\$4.2bn) in the middle of last year to only A\$10bn now.

The reason? News Corp is investing billions of dollars in an attempt to clone BSkyB. Knocking News Corp for trying to replicate BSkyB's success is bizarre. While Mr Murdoch may not have an easy ride in the US, Germany, Japan and Latin America, he seems better positioned than any other rival in global pay-TV. But investors do not see it this way. The investment News Corp is pouring into pay-TV is seen



risk, but with the right risk management procedures it should be a profitable franchise.

Banca Commerciale Italiana and Banco Ambrosiano Veneto would both be logical suitors, although there is the less palatable possibility that several banks will gang together in the hope of buying in on the cheap.

Hopefully, the sale of Banco di Napoli will be the first of many moves to rationalise Italy's sprawling banking system. Privatisation of Banca Nazionale del Lavoro would be an obvious follow-up. The Government should then turn its attention to the myriad inefficient banks controlled by charitable foundations.

BMW/Land Rover
The Highlander is a rather grand name for Land Rover's new baby model, but it should prove a lucrative addition to the BMW clan. While Land Rover has benefited hugely from rising demand for four-wheel-drive vehicles, it has not competed at the cheaper end of the range where growth has been fastest and margins matter more than off-road performance. The Highlander plugs that gap; and its launch into a segment dominated by the Japanese is a vote of confidence by BMW in Land Rover's improving product quality - something the Germans were critical of when they bought Rover in 1994.

The new model should also be very profitable. Analysts forecast output of 70,000 units a year and a base price of £15,000, pitching it directly at Toyota's rival Rav4. Subtracting distribution costs of 25 per cent and applying a 7 per cent operating margin - similar to BMW's own - suggests profits of £55m or a near-15 per cent return on the required £400m of investment.

The Highlander also gives some clues to BMW's strategy for Rover's bigger, loss-making car side. Land Rover now has a clear product ladder - from Highlander to Discovery to Range Rover - that is similar to BMW's own 3- and 7-series. Translate that to Rover cars and it is fairly clear that the current five models, based on five separate platforms, will be rationalised to three, probably based on two platforms. Managing that change will be the real test of success for BMW's acquisition of Rover.

Additional Lex comment on Blenheim, Page 29

Banco di Napoli
The Italian government's decision to sell 60 per cent of Banco di Napoli is a welcome step. It accelerates much-needed consolidation in the banking sector and puts an end to state ownership of a bank that has been synonymous with pork-barrel politics. It also represents a speedy solution, by contrast with the French government's series of bungling bail-outs for Credit Lyonnais.

Of course, there is a price. Banco di Napoli's book value will be less than half its recent L2,288bn (£1.5bn) capital increase, and £1,000bn of doubtful loans are being switched into a new company, where the Italian treasury will cover losses on liquidation. But buyers should be prepared to pay goodwill. Banco di Napoli is by far the biggest bank in Southern Italy, where spreads between loans and deposits are over 300 basis points fatter than in the north. This reflects less competition and more

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مركز الأخبار

FINANCIAL TIMES COMPANIES & MARKETS

Wednesday October 16 1996

"Japan, Inc. has no magic management system. There is simply no substitute for a conscientious work force."

OCS GROUP MANAGING THE ESSENTIALS

IN BRIEF Viag and BT set for mobile licence

The fourth mobile phone licence in Germany, Europe's biggest telecommunications market, is expected to be awarded to an alliance between Viag, the German industrial conglomerate, and British Telecommunications after they emerged as the only applicants to submit a bid in time for the deadline. Page 16

Roche Holding appoints ex-Glaxo chief Mr Franz Humar, 60, a former chief operating officer of Glaxo, the UK drugs company which is now part of Glaxo Wellcome, has been appointed chief operating officer of Roche Holding, the Swiss drugs company. Page 16

Diller in German home shopping move Home Shopping Network, the US television shopping channel, announced it had taken a 29 per cent stake in Home Order Television, the German network. Mr Diller said the move was part of the strategy of expansion out of the company's home market. Both sides refused to give price details. Page 18

Chase plans 2.5bn share buy-back Chase Manhattan, the largest US commercial bank after its merger this year with Chemical Bank, announced third-quarter earnings per share of \$1.83, slightly ahead of expectations, and said it would buy back \$2.5bn of stock. Chase's largest rivals also unveiled earnings above expectations. Page 20

Aon buys Inchoape insurance unit Inchoape, the UK-based international trading group, said it had abandoned plans to demerge its Bain Hog insurance broking subsidiary and would sell it instead to Aon Corporation of the US for \$160m (\$260m). Page 22

Squeeze looms in heating oil supplies Europe and the US could face a crisis this winter over heating oil supplies as prices soar to their highest levels since the Gulf war and stocks hit their lowest level ever. Page 26

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Fiba Nordic director to step down

By John Gapper, Banking Editor. One of the founding directors of Fiba Nordic Securities, the UK-based Scandinavian stockbroker firm that helped Mr Peter Young to make a number of controversial investments, is to leave as a result of the affair. Mr Eric Langaker, who played a role in introducing Mr Young to several small technology companies in which he invested for Morgan Grenfell, is to leave Fiba Nordic by agreement. His depart-

ment will also stop seeking new customers. Morgan Grenfell Asset Management will announce this morning that five senior managers, including Mr Keith Percy, its chief executive, are stepping down as a result of their failure to control Mr Young's activities within Morgan Grenfell. Mr Mike Wheatley, the chief compliance officer, will depart along with Mr Glyn Owen, who was Mr Young's direct boss in the international division of MGAM. Mr Graham Kane, who headed its unit

trust business, is also leaving the company. The moves are likely to be presented by Mr Michael Dobson, chief executive of MGAM's parent Deutsche Morgan Grenfell, as evidence that Morgan Grenfell has taken action to restore its reputation following the debacle over Mr Young's investments. It was not clear last night whether Mr Percy would retain a role as consultant within MGAM in spite of being replaced as chief executive of MGAM by Mr Robert Smith, who is the head of develop-

Gehe pulls out of drugs manufacturing



Dieter Kämmerer: strategic shift that increased Gehe's financial freedom in the takeover bid for the UK's Lloyds Chemists

By Wolfgang Münchauer in Frankfurt. Gehe, the German pharmaceutical wholesaler, is to dispose of its drugs manufacturing interests with the sale of four subsidiaries for about DM700m (\$458m). Mr Dieter Kämmerer, chairman, said the disposal marked a strategic shift, and would increase the financial freedom in the hotly-contested takeover bid for Lloyds Chemists, the UK pharmacy chain. Sandor, the Swiss pharmaceuticals group, is to pay DM640m for Gehe's Azupharma unit, the largest of its drugs manufacturing subsidiaries and Germany's third-largest generic drugs maker. Azupharma is based near Stuttgart, and had sales of DM222m last year. BASF, the German chemicals group, is to buy GNR-pharma, Gehe's generic drugs unit based in France. The other two small companies to be sold are Allrad Pharma and Allphamed, both in Germany.

Mr Kämmerer said yesterday: "We started to get into drugs manufacturing in 1989. But then came the concentration process in the industry during the 1990s, and we had to decide whether we wanted to be among the large players in the sector. Looking at the sums that are being paid in acquisitions, we decided that we no longer want to remain in the business." He said the second reason for the sale was a potential conflict of interest with competing manufacturers, who are among Gehe's clients. "This is something we have recognised only in the last few years," he said. Mr Kämmerer said the strategic decision to withdraw from drugs manufacturing was taken before the \$650m (\$1bn) bid for Lloyds Chemists in February. Gehe's bid, along with a rival bid from Uni-Chem, were both referred to the Monopolies and Mergers Commission, the UK takeover regulatory body. Gehe announced previously that it would finance the takeover through credit. Mr Kämmerer said yesterday that following the disposal of its drug manufacturing interests, Gehe would have greater flexibility in the way it would finance a new bid. Gehe expects to receive about DM1.2bn in total receipts from the sale of drugs manufacturing companies this year. This figure also includes an estimated DM500m for the sale of a 74.9 per cent stake in Jenapharm, an eastern German drug group, to Schering, the German pharmaceuticals group. Gehe has retained a 25.1 per cent stake in Jenapharm, its sole remaining financial link to the drugs manufacturing business. The drugs manufacturing unit achieved a turnover of DM450m in 1995, about 2.3 per cent of total 1995 revenues of DM19.2bn. The unit recorded above-average earnings. It contributed DM34m, about 9 per cent of the group's pre-tax profits of DM360m.

News Corp to float TV technology division

By Hugo Dixon in London. News Corporation is planning a \$600m flotation of News Digital Systems, its UK-based television technology business, in the next two to three weeks. Mr Rupert Murdoch, News Corp's chairman, revealed the plans at the group's annual meeting in Adelaide, Australia, yesterday. News Digital Systems (NDS) is one of the world's leading manufacturers of the "smart cards" needed to unscramble encrypted pay-TV broadcasts. It also owns technology for compressing TV signals so that several digital channels can be carried in the space previously occupied by one channel. NDS receives royalties from licensing this technology to manufacturers of "set-top" boxes, which are also needed to receive pay-TV. As part of the flotation, NDS will issue new shares equivalent to about 20 per cent of its equity on America's Nasdaq exchange. It is understood to be targeting a market value of about \$650m post-flotation. Although News Corp will not directly receive cash from the sale of the shares, it aims

to load NDS up with \$260m-\$300m of debt as part of the flotation process. It may also benefit because its remaining 80 per cent stake in NDS will have a visible market value. Mr Murdoch said the aim of the flotation was to reassure competitors, with whom NDS does business, that it was independent of News Corp. BSkyB, the UK pay-TV broadcaster, is a customer. In its last financial year to the end of June, more than half of NDS's revenue is understood to have come from companies outside the group. NDS has benefited from the rapid growth of pay-TV services across the world. In its last financial year, it is understood to have had revenues in excess of \$160m and operating margins of about 20 per cent. Advisers believe the explosion of pay-TV will provide a good environment for the share sale. But the flotation may be dogged by legal controversy.

Earlier this year the company launched an action against former employees, claiming it had been the victim of a conspiracy to overcharge it for a vital component. NDS, whose headquarters are in Heathrow, has two main subsidiaries: News Datacom, which makes smart cards, and Digi-Media Vision (DMV), a specialist in compression technology. DMV is the former technology arm of Britain's Independent Broadcasting Authority. Lex, Page 14; News Corp results, Page 19

Barry Riley Commodity upturn that goes against the grain

Although 1996 is far from over, the investment strategists are already beginning to get their teeth into prospects for 1997. Can equities extend their long bull market? Or will a shift in the cycle favour some other asset class such as natural resources or, for the real pessimists, cash? Merrill Lynch's market cycles team in London is firmly recommending commodities. Bijal Shah and Trevor Greatham are highlighting the clear rotation in recent years in the returns achieved by different asset classes. Bonds performed best in 1992, equities in 1993 and commodities the following year. In 1996, bonds had an excellent year again but so far in 1996 equities have done best. Returns on commodities have actually been negative in 1996, but 1997 could turn out to be their year again. This all looks a bit too much like the Buggin's turn principle, and in practice the resources sector has been giving very mixed signals. Oil is right out on its own. Energy prices have certainly been strong, with Brent crude hitting a new post-Gulf war record price of close to \$25 a barrel this week. Energy stocks have been leading the stock market higher. Mark Latham, manager of Baring Global Resources Fund, has put 80 per cent of his portfolio into oil. His argument is that the official global consumption figures have been seriously mis-

leading and consequently the specialist oil sector analysts have all been far too relaxed about the underlying demand-supply balance. Certainly, a fundamentally bullish case can be made based on strongly rising demand from the developing countries. On the other hand, last winter's squeeze on some of the grain markets has dissipated. The wheat price spiked up to more than \$7 a bushel last April but has since tumbled back to little more than \$4. Reports are coming in of bumper harvests in many coun-

tries. The US soybean harvest is likely to be the second biggest ever, for instance, while in Japan an embarrassed government is sitting on a rice surplus of about 2m tonnes, the biggest for 15 years. Industrial raw materials are in an intermediate position. Metals have been affected by the copper debacle, and industrial output this year has been relatively depressed in Japan and Europe, where stocks are being run down. The bullish arguments for metals are to be forward-looking, based on an acceleration of global economic growth in 1997. Forecasts of growth next year are edging up to about 4 per cent (including 2.5 per cent in the OECD area) from, say, 3.5 per cent in 1996. That acceleration, however, depends controversially on a pick-up in Europe as well as continuing rapid growth in the developing countries. Whether the projected European improvement is compatible with the scramble to fit the Maastricht strait-jacket is arguable. It is difficult to make the outlook for metals seem at all exciting, although my man in the scrapyard is positive about aluminium and nickel. Gold, especially, is in the doldrums, affected by rising supply and the threat of IMF sales. At this stage the price risks for gold seem mostly on the downside, and if the yellow metal is to benefit from an inflationary surge of global expansion the upturn is still beyond the event horizon. The theory, though, is that the benefits of late cycle growth are mainly transmitted to real assets, while financial asset prices could be put under pressure next year by rising interest rates. Moreover, companies could find their margins being squeezed as the output gap is narrowed and the labour market tightens, especially in the US. There has also been more interest recently in real estate as a traditional late cycle play. The tricky aspect, perhaps, is that around the globe different economies are at very different stages of their individual cycles. We cannot trust simple models any more. But if you pump enough money into the global economy something other than booms and stocks will eventually rise in price.

The resources sector has been giving mixed signals - oil is right out on its own. Energy prices have certainly been strong, with Brent crude hitting a new post-Gulf war record price of close to \$25 a barrel this week. Energy stocks have been leading the stock market higher. Mark Latham, manager of Baring Global Resources Fund, has put 80 per cent of his portfolio into oil. His argument is that the official global consumption figures have been seriously mis-

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COMPANIES AND FINANCE: EUROPE / AFRICA

Viag-BT poised to win German licence

By Michael Lindemann in Bonn

The fourth mobile phone licence in Germany, Europe's biggest telecoms market, is expected to be awarded to an alliance between Viag, the German industrial conglomerate, and British Telecommunications.

1997, but the licence for the Viag-BT alliance would be a foregone conclusion unless any surprise last-minute bidders emerged.

nothing, the company said. Industry executives, meanwhile, said Stet had not pursued its initial interest, in part because of the second stage of its privatisation next spring.

invest DM4bn in the German telecoms market over the next five years and hoped, eventually, to have a 20 per cent share of the mobile market.

by a consortium headed by Veba and Thyssen, the Düsseldorf-based industrial conglomerates. The E-Plus licence says that the fourth mobile phone operator can only begin operations in May 1997, four years after E-Plus started up, and foresees legal action for damages if the identity of the fourth operator is published before February 1997.

Raisio profits fall in spite of sales rise

By Hugh Carnegie in Stockholm

Raisio, the Finnish food processor and chemicals group, yesterday reported a fall in eight-month pre-tax profits, from Fmk11m at the same stage last year to Fm92.3m (\$20m), in spite of a 20 per cent increase in sales.

EUROPEAN NEWS DIGEST

Italy details Banco di Napoli sell-off

Italy's centre-left government yesterday signalled its commitment to private banking by confirming the terms for the sell-off of the treasury's 60 per cent stake in the troubled Banco di Napoli before the end of the year.

Roche reshuffles board with new appointment

By William Hall in Zurich

Mr Franz Humer, 50, a former chief operating officer of Glaxo, has been appointed chief operating officer of Roche Holding, the Swiss drug company.

more than three-quarters of its profits. He is credited with reducing production and marketing costs, and will retain overall responsibility for pharmaceuticals in his new role as chief operating officer.

family, who retired in June. Mr Humer replaces Mr Andres Leuenberger, 58, on the three-man core committee (Ausschuss) of the group's executive committee.

PROFILE

Roche

Market value: \$3.3 bn Main listing: Switzerland

Historic P/E 22.3

Gross yield (1995) 0.7%

Earnings per share SF403

Current share price SF9,655

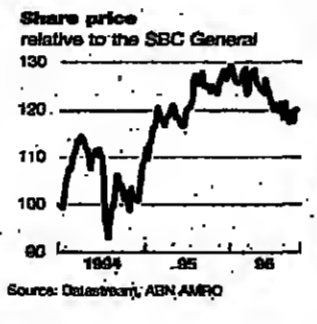
Share price relative to the SBC General

Earnings per share

Source: DataStream, ABN AMRO



Fritz Gerber, Chairman



Anglovaal net earnings sharply lower in term

By Mark Ashurst in Johannesburg

Anglovaal, the South African mining group which is seeking shareholders approval to streamline its traditional mining house structure, announced a sharp fall in after-tax profit for the September quarter.

mines. Net earnings fell a third from R74m to R49.1m.

Total gold production increased by 273kg to 8,447kg. The weaker rand helped boost the average gold price received to R54,200/kg, against R52,697 to the previous quarter.

Anglovaal's other interests - diamonds, ferrous and base metals, coal, industrial minerals, technical exploration and development - will be consolidated in a second group, Avmin.

management and marketing services from head office, claim the system has prejudiced shareholders with stakes in individual mines.

The share exchange has been calculated by Anglovaal on the basis of the trading range of the shares in the 20 days to September 30.

The group - best known for developing a margarine that cuts cholesterol intake - said it had been hit by falling margins between raw material prices in its food-stuffs and animal feed operations and finished product prices.

But Raisio said profitability would improve towards the end of the year and predicted that full-year results would fall "just slightly short" of last year's Fm140m.

Yesterday's results were in line with expectations and the shares rose Fm7.00 to close at Fm263.50.

Production of Benecol, which commands prices six times as high as regular margarine, is limited due to availability of the key raw material, plant sterols.

Sales are restricted to the Finnish market, and Raisio said that exports would not begin this year.

However, investors believe that Benecol will eventually become a big seller worldwide based on its health-enhancing qualities.

Raisio's core operations achieved a rise in sales in the first eight months from Fm2bn to Fm2.5bn.

Traub in talks with creditors

Traub, the leading German tool maker which is burdened with debts of about DM300m (\$202.7m), yesterday began talks with its creditors, saying it needed to find a way of waiving its old debts before new investors would buy stakes in the company.

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Advertisement for HSBC Samuel Montagu, featuring a grid of corporate finance projects: Fletcher Challenge, Ascot Holdings Plc, LIMIT, COURT CAVENDISH, McKeebnie, and HSBC Gibbs Holdings.

Advertisement for Merrill Berrups Frankfurt office, highlighting worldwide services and contact information for Toby Brookes and Marc Smeed.

Handwritten Arabic text at the bottom center of the page.

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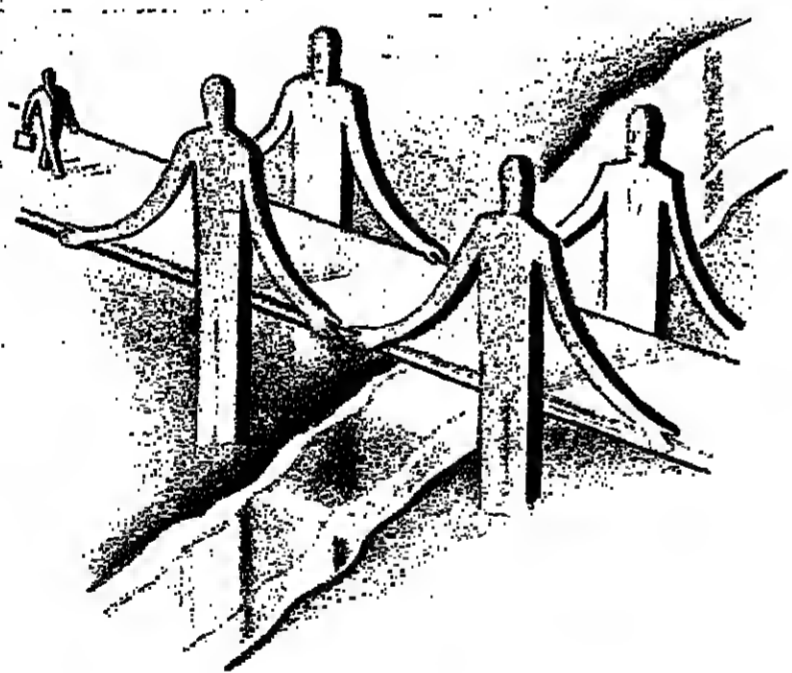
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COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp cautious on first quarter

By Nicky Tait in Adelaide

Mr Rupert Murdoch, chairman of News Corp, said the group's first quarter results were "relatively speaking, disappointing".

Mr Murdoch said News Corp would be "striving to make up any shortfall" in the first quarter to September. In the year to end-June, it reported profit after tax and abnormal of A\$1.02bn (US\$607.3m), down from A\$1.56bn last year.

Mr Murdoch said the 1996-97 results were likely to be driven by a strong performance in the UK, where "all divisions are doing extremely well".

remained difficult, although the group's children's and religious books were "doing well". Revenues at Fox Television looked "very good".

late in 1997. "If all goes according to plan, we will be in full launch mode this time next year," he said.

Sluggish demand hits profit at Daiei

By Gwen Robinson in Tokyo

Daiei, Japan's largest and one of its most aggressive retailers, has announced a 49.1 per cent decline in half-year earnings.

ASIA-PACIFIC NEWS DIGEST

KPN lifts TNT stake to 14.9%

KPN, the Dutch postal and telecoms group which is making a A\$2bn (US\$1.5bn) bid for Australia's TNT, yesterday announced it had acquired a further 5 per cent of its target.

MIM expands copper side

MIM Holdings, the Queensland-based metals group, is to spend A\$60m (US\$38.6m) on the expansion and modernisation of its copper refinery operations in Townsville.

Posco starts work on furnace

Pohang Iron & Steel (Posco) yesterday broke ground on a 3m-tonne blast furnace that will make the South Korean company the world's largest steelmaker once it is completed in 1999.

Pressure on Taiwan Styrene

Taiwan Styrene Monomer said it was likely to lower its annual pre-tax profit forecast of T\$626m (US\$22.6m) if styrene monomer prices continued to fall.

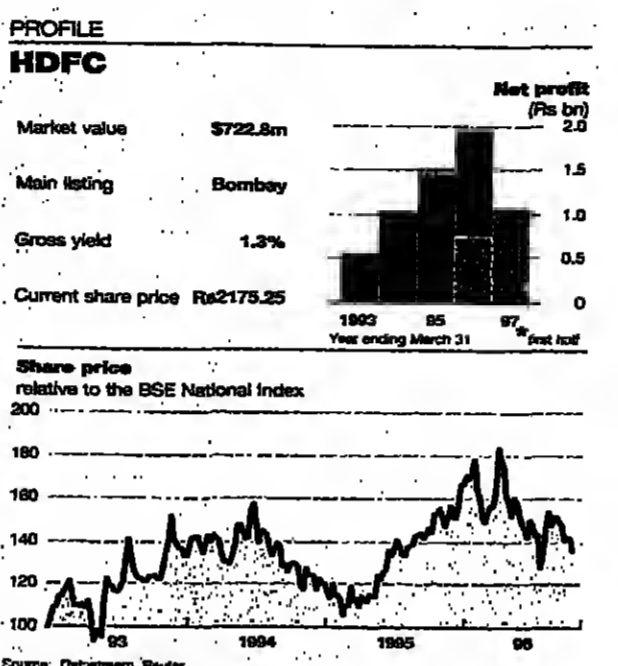
HDFC bucks trend with 43% increase

By Tony Tassell in Bombay

Housing Development Finance Corp, India's largest housing mortgage provider, has bucked a trend of weakening earnings growth by Indian businesses by posting a 43 per cent increase in net profit.

HDFC also lifted its retail deposits by Rs1.12bn to Rs1.25bn, in spite of tight liquidity conditions and competition from other institutions.

An analyst with brokers SSKI Securities said HDFC was now on target to lift its net profit in the year to March 30 to Rs2.55bn from Rs1.95bn.



development and has a retail joint banking venture with NatWest Markets.

agency joint venture with Colliers Jardine and a consumer finance company venture with GE Capital.

Ranbaxy shrugs off slowdown

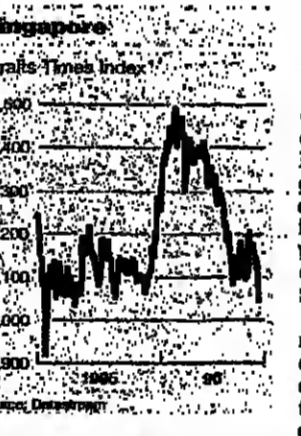
By Tony Tassell

Ranbaxy Laboratories, a leading Indian pharmaceutical manufacturer, has lifted net profits by 21 per cent in the six months to September 30, in spite of a slowdown in domestic sales.

Regional stock index for Singapore exchange

By James Kynge in Kuala Lumpur

Singapore launched its first regional share index yesterday as part of a series of measures designed to enhance its position as one of Asia's leading centres for equities trade.



Malaysia to become southeast Asia's centre for regional equity trading, Malaysia's stock market has a larger capitalisation and greater liquidity than Singapore's.

ity in Jardine's stock. In an indication of how serious Singapore is in promoting the index, foreign companies meeting certain criteria will be allowed to list their shares in Singapore dollars rather than in foreign currencies.

Advertisement for Abercrombie & Fitch Class A Common Stock, offering 8,050,000 shares. Lists various financial institutions like Goldman Sachs International, Lazard Capital Markets, and J.P. Morgan Securities Ltd. as underwriters.

Advertisement for Uniope Manufacture S.p.A. in Liquidation, soliciting offers for real properties of controlled companies. Lists three properties for sale in Arrigiano, Italy.

Advertisement for Caisse Centrale de Credit Immobilier 3CI, offering floating rate notes with a value of 1116,000,000.

Advertisement for ADELAIDE BANK LIMITED, offering multiple option facilities with a value of USD250,000,000.

Advertisement for PERSONAL PUBLIC SPEAKING, offering training and speech writing by award-winning speakers.

COMPANIES AND FINANCE: THE AMERICAS

US banks improve in third quarter

By John Authers in New York

US Banks: 3rd quarter 1996

Table with columns: Bank Name, Net Income \$m, Earnings per share \$, Assets at Sept 30 \$bn. Rows include Chase Manhattan, Citicorp, NationsBank, First Chicago NBD, Bank of New York, Mellon Bank, Wells Fargo.

The largest US commercial banks yesterday unveiled third-quarter results slightly above analysts' predictions. Improvements in efficiency were registered across the sector...

banks - including Citicorp and NationsBank, the second and fourth largest - made heavy purchases of their own stock during the third quarter. Chase's efficiency ratio, expressing total non-interest expenses as a proportion of income, fell from 62 per cent for both banks in the equivalent quarter of last year, to 58 per cent.

from the year before to 1.38 a share, excluding a charge for recapitalising the insurance fund for the savings and loan industry. The consensus forecast had been \$1.87. Earnings per share were lifted by Citicorp's decision to repurchase 8.9m shares for \$766m.

Citicorp refused to make predictions on the trend for credit card debts, but acknowledged that the rates of bankruptcies and delinquencies (where accounts are at least 90 days overdue) appeared to have reached highs. NationsBank, based in North Carolina, whose acquisition of Boatmen's Bancshares of St Louis for approximately \$5bn is due to be completed this quarter, announced an 18 per cent increase in net profits compared to the same quarter of 1995.

Interstate earlier this year, said it had completed the conversion of its Californian customer base during the quarter. Its earnings per share, at \$3.23, were below consensus estimates of \$3.80. Several other large commercial banks reported yesterday. They included Bank of New York, where earnings increased 6 per cent to \$245m compared to the same quarter of the year before. The bank continued to increase its specialisation in securities processing.

PepsiCo slides as Coca-Cola rises 21%

By Richard Tomkins in New York

PepsiCo, the US soft drink and snack food company that has been struggling to compete with Coca-Cola in international markets, yesterday announced that net profits had slumped from \$617m to \$144m in the third quarter, in line with last month's warning. Earnings per share fell 77 per cent to 9 cents.

AMERICAS NEWS DIGEST Cost cuts aid 21% advance at Kodak

Kodak said sales of the Advantix camera had exceeded expectations and had caused shortages that left the company scrambling to keep up with orders. Kodak's increase in sales was led by 13 per cent growth in its worldwide consumer products business, while the commercial imaging business, which includes its business copier division and products sold to professional photographers, grew by 5 per cent.

Netscape in intranet launch

Netscape Communications yesterday responded to mounting competition from Microsoft with a package of new products for use on corporate intranets. The two-year-old company, which has achieved a greater than 80 per cent share of the market for Internet browser software, is now aiming at corporate intranets - private networks based on the same standards as the Internet.

Weyerhaeuser declines 57%

Earnings at Weyerhaeuser, the US pulp and paper company, dropped 57 per cent in the third quarter as the company suffered from declining paper prices. Weyerhaeuser said lumber prices were strong and it was beginning to see some improvement in pulp prices.

GM ahead of Wall St expectations at \$1.3bn

By Richard Waters in Detroit

General Motors, the biggest manufacturer in the US, took another step on the road to rebuilding its North American operations during the third quarter, with earnings which comfortably beat Wall Street's expectations. With a strike in Canada beginning to force the company to idle some workers in the US, however, the final months of the year could yet provide a setback.

have produced earnings of about 88 cents a share, said Mr Michael Loeb, chief financial officer - still ahead of expectations. Mr Jack Smith, chairman, repeated earlier comments that the company "still has work to do" to achieve its target of a 5 per cent after-tax return on sales. The profit margin for the latest period, which is traditionally the industry's slowest quarter of the year, came to 2.1 per cent.

2,235,000 units, or a 32.2 per cent share, in the third quarter of 1995. Revenues climbed 8 per cent and the company made headway in reducing its costs, Mr Loeb said. A turnaround in Europe, meanwhile, contributed to a rise in earnings from GM's overseas operations. With the European business recording a profit of \$75m compared with a loss of \$96m, the international side of the group registered after-tax profits of \$323m, up from \$111m.



Jack Smith: GM 'still has work to do' for 5 per cent return

US brokerages fare better than forecast

By Tracy Corrigan in New York

Three US brokerage houses reported a drop in third quarter earnings per share compared with an exceptionally strong second quarter, but the fall was smaller than analysts had anticipated. The three - Merrill Lynch, PaineWebber Group and Donaldson, Lufkin and Jenrette - all showed an improvement on the same period a year ago.

PaineWebber's shares were up 3% at \$247. The slip in the third quarter, which has also hit US investment banks, reflects the more difficult market conditions of the summer months. The weakness of the US stock market, in particular, hit the companies' equities business. However, the more favourable September environment has persisted into the fourth quarter.

second quarter but 10 per cent higher than a year ago. Merrill's return on common equity was the strongest of the three, at 21.5 per cent - the sixth consecutive quarter it had exceeded 20 per cent. Mr Daniel Tully, chairman and chief executive officer, said Merrill has consolidated its strong position in investment banking this year. The group's drive to increase the proportion of earnings from asset management appears to be bearing fruit: asset management revenues reached a record \$570m in the quarter, as total assets under management climbed to a new high of \$213bn at the end of September.

retail brokerage, reported net earnings of 75 cents a share, down from 88 cents in the second quarter but up 12 per cent on the third quarter of 1995. Net income for the quarter was \$90.2m, down from \$92.2m in the second quarter. PaineWebber also noted a record level of assets under management, at \$294bn.

Donaldson, Lufkin and Jenrette reported earnings per share of 86 cents in the third quarter on net income of \$56.1m, down from \$1.18 in the previous quarter but up from 72 cents a year earlier.

Montedison advertisement including 'NOTICE OF MEETING OF THE STOCKHOLDERS' and a list of international branches.

Table with columns: Ticker, Bid, Ask, Last, Change, Volume. Lists various stocks like IBM, Microsoft, etc.

FlightSafety is latest Buffett bet

By Tracy Corrigan

America's best-known long-term investor, Mr Warren Buffett, yesterday picked his latest stock. His investment vehicle Berkshire Hathaway will merge with FlightSafety International, a Long Island-based company which provides training for pilots and maintenance technicians at centres in the US, Canada and France. The merger values FlightSafety at about \$1.5bn.

bearing many of the traditional Buffett hallmarks - it has a strong franchise, good growth prospects and generates cash. It is also a high-margin business, which has historically had operating margins of about 35 per cent, according to analysts.

Analysts said the price paid by Mr Buffett looked reasonable. "On the basis of both cash flow and earnings, [the price] is attractive," said Mr Rubel. The price is about 15 times next year's earnings forecast.

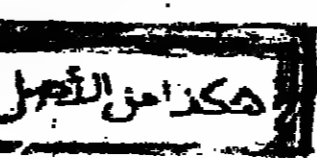
Intel stock at record after results

By Louise Kehoe in San Francisco

Shares in Intel, the world's largest semiconductor manufacturer, continued to reach new highs yesterday after the company surprised Wall Street by reporting a 41 per cent jump in third-quarter earnings. Net earnings for the quarter to September 28 were \$1.31bn or \$1.48 a share, against \$931m, or \$1.05 a share, a year ago.

now stands at \$97.3bn, making it the world's highest-valued technology company. Strong demand for Intel's microprocessor chips, the "brains" of personal computers, drove revenues for the quarter to \$5.1bn, a 23 per cent increase from \$4.2bn in the same period last year.

of revenues, well above the company's target range of 48-52 per cent. The increase reflected a favourable mix of products sold with a higher proportion of microprocessors than PC circuit boards. Unit shipments of microprocessors and related PC chip sets reached new records during the quarter.



AY OCTOBER 16 1996

DIGEST

aid 21% at Kodak

no imaging company, its income yesterday, driven by consumer imaging business, rose to \$1.22 a share after it rose to \$1.01 a share in the second quarter. The earnings growth of 21 per cent was more than a percentage point higher than a percentage point last year, to 20 per cent, despite increased advertising camera and the

advances camera had experienced shortages that left the company with a backlog of 10 per cent growth in sales in the first three months, which includes its professional camera division. Kodak's business is now a diversified consumer electronics company, it says. *Lisa Branson, Reuters*

intranet launch

Microsoft responded in a letter to the company's intranet. The company has achieved a major milestone for its intranet by launching its first intranet, which is now available to all employees. The intranet will provide a central repository for company information, including financial data, human resources and other key business information. It is expected to be a major factor in the company's success in the future. *Reuters*

r declines 57%

The company's share price fell 57 per cent in the last year, as investors reacted to the company's poor performance. The company's revenue declined by 10 per cent in the last quarter, and its profit margin was also down. The company's management has been criticized for its handling of the company's affairs, and investors are expected to continue to pressure the company for better results. *Reuters*

head and upper

The company's head and upper body are expected to be a major focus of the company's future efforts. The company's management has announced a series of cost-cutting measures, including the elimination of several departments and the restructuring of the company's workforce. The company's management is expected to continue to focus on improving the company's operational efficiency and reducing its overhead costs. *Reuters*

uffett be

The company's chief executive officer, Jeffrey Pfeffer, is expected to be a major focus of the company's future efforts. Pfeffer has been instrumental in the company's success in the past, and is expected to continue to lead the company through its current challenges. Pfeffer's leadership is expected to be a key factor in the company's ability to overcome its current difficulties and achieve long-term success. *Reuters*

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invented telephone.

(ALSO transistor, laser, Telstar satellite, fibre-optic cable, cellular).
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COMPANIES AND FINANCE: UK

Barclays merges asset management

By John Gapper, Banking Editor
Barclays yesterday took a further step towards managing money using new technology when it announced the merger of its two institutional asset management arms...

The senior management of BZW Barclays Global Investors, an asset manager based in San Francisco which uses quantitative techniques such as indexation, is to take control of the combined operation, employing 1,400 people.

Barclays Global Investors, Mr Martin Taylor, Barclays' chief executive, has signalled an increased emphasis on fund management in the bank.

executives are to be Ms Patricia Dunn and Mr Lindsay Tomlinson. The combined firm will have £230bn of assets under management.

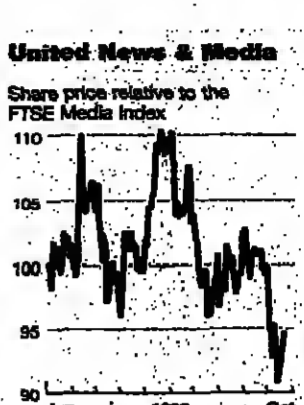
on a vast quantity of data," Mr Tomlinson said. The computer model would take into account fund manager's preferences, as well as changes in analysts' recommendations and share trading data.

Nynex breaks off talks on merger

By Raymond Snoddy
Nynex CableComms, the UK's second-largest cable group, has broken off merger talks with Telewest...

LEX COMMENT
Utd/Blenheim

In the end, it took the intervention of a helpful third party, Dutch publishing group VNU, to convince United News & Media of the extent of its affections for exhibitions group Blenheim...



Israeli group in flotation

By Jane Martinson
Three former members of the Israeli defence force will each be worth £20m (£31.2m) if their software company is successfully floated on the UK's Alternative Investment Market on Friday.

ALEA aims for Russian lottery

By Raymond Snoddy
ALEA, a company backed by Mr Elliott Bernard the property tycoon and Mr Terry Robinson, the former Lomro executive, plans an Aml listing via a placement to raise \$32.5m (\$50.7m) to launch an on-line lottery in Russia.

although three other licences have been granted it expects to be the first on-line lottery inside Russia.

The Russian lottery is owned 80 per cent by ALEA with the rest held by a charitable organisation, the Russian Committee for the Protection of Peace.

developer and operator of lottery systems. New investors will own the remainder.

Superscape signs licensing deal

By John Hamilton
The announcement of Superscape VR's licensing and distribution deal with Microsoft lifted shares in the 3D web browser developer by 16p to 567½p.

Under the deal, Viscache, the company's virtual reality browsing software, was included from yesterday in the Internet Explorer kit, distributed with Windows 95.

developing VR demonstrations, including the computerised history of Stonehenge in collaboration with Intel.

It has agreements and partnerships with, among others, IBM and Silicon Graphics and is owed £1.5m from a licensing agreement with Northern Telecom, which has been building a VR training programme.

Table with columns: Turnover (£m), Pre-tax profit (£m), EPS (p), Dividends, Current payment (p), Date of payment, Corresponding dividend, Total for year, Total last year.

Table with columns: Investment Trusts, Yield (p), Assets (£m), EPS (p), Current payment (p), Date of payment, Corresponding dividend, Total for year, Total last year.

Mr John Chipkin, chief executive. The company is also involved in developing VR demonstrations, including the computerised history of Stonehenge in collaboration with Intel.

Mr John Chipkin, chief executive. The company is also involved in developing VR demonstrations, including the computerised history of Stonehenge in collaboration with Intel.

Pearson in talks for MCA book arm

By Raymond Snoddy in London and Christopher Parkes in Los Angeles
Pearson, the media and information group that owns the Financial Times, is in negotiations to buy Putnam Berkley, the book publishing arm of MCA, the US-based entertainment group owned by Seagram.

Mr Fred Salerno, the parent's vice-president for finance and business development, told Telewest on Monday that the company did not want to go ahead with a deal. Nynex wanted time to hold talks with other parties, including, it is believed, Mercury Communications, the Cable and Wireless offshoot. Mercury has been involved in the British cable industry from the outset, but it would be a significant departure if it were to buy a large cable group such as Nynex.

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INTERNATIONAL CAPITAL MARKETS

EIB, World Bank tap zero-coupon sector

INTERNATIONAL BONDS

By Semer Iskandar

The two best-known triple-A rated supranational issuers yesterday competed for Italian retail investors' money with zero-coupon bonds...

"With so many outstanding 30-year zeros, we felt we could offer a better deal in the 20-year area," said a syndicate manager at Deutsche Morgan Grenfell in Frankfurt...

continuing strong performance of Italian government bonds against other European markets, as well as the lira's unrelenting appreciation...

New international bond issues

Table with columns: Borrower, Amount, Coupon, Price, Maturity, Fee, Spread, Book-runner. Lists various international bond issues from borrowers like European Investment Bank, World Bank, etc.

First time, non-convertible unless stated. Yield spread over relevant government bond at launch supplied by lead manager. All interest payments in US dollars unless stated.

placed among UK institutional investors - and a minority of continental European accounts - according to a syndicate manager at Merrill Lynch...

Elsewhere, a RM1bn of three-year floating-rate notes from Merita Bank, the first plain-vanilla FRN in the sector...

The placement process was helped by the Finland's recent decision to join the ERM, with dealers reporting widespread demand from Scandinavia...

CAPITAL MARKETS NEWS DIGEST

Flexible options on individual shares

The American Stock Exchange and the Chicago Board Options Exchange will introduce flexible options on the shares of 26 of the most actively-traded companies in the US...

The exchanges have targeted institutional investors for their new offerings: all "flex" transactions represent at least 250 contracts, or 25,000 shares...

Flexible options, which allow investors to tailor the strike price, expiration dates, and style of exercise of their options trades to suit the needs of their portfolios...

Both the CBOE's and the AMEX's flex options will be cleared, or guaranteed, by the Options Clearing Corporation. Four of the 26 companies in the initial list...

Laurie Morse, Chicago

Prices firm on signs of Japanese buying

GOVERNMENT BONDS

By Richard Lapper in London and Lisa Bransten in New York

Government bond markets firmed yesterday amid indications that flows of Japanese capital to overseas markets are increasing.

likely to match the record level of ¥4,200bn achieved in the fourth quarter of 1995. Since the start of this month - the beginning of their financial half-year - Japanese institutions have increased the weightings of foreign bonds in their portfolios...

The French market again outperformed, with the German 10-year yield spread over France rising by 1 basis point to 5 points. Signs that the French economy is growing more slowly than Germany's have contributed to the recent "decoupling" between the markets...

High-yielding European bonds gained ground earlier in the day on the back of dollar strength, but fell back in the afternoon. In the cash market, Spanish and Italian 10-year yield spreads over Germany were unchanged at 170 and 232 basis points, respectively...

The strength of sterling was cited as the main reason for the rise in the gilts markets, with the December long gilt rising about 11 ticks to settle at 110 1/8, before losing ground in after-hours automated pit trading.

The two-year note added 1/8 to 100 1/8, yielding 5.95 per cent. The December 30-year bond future was unchanged at 110 1/8. Traders expected the market to trade in a narrow range until more economic data provides investors with a better sense of the strength of the economy.

Moderate switching from Japanese bonds contributed to a rise in German futures, according to traders on Liffe. The December 10-year contract settled about a quarter of a point higher.

In the short run there is nothing to stop this widening by a further 5 basis points, but by the end of the year French yields will be back above German yields, said Mr Stephen Lewis of London Bond Broking.

"The convergence process is running out of steam," said Mr Mark Cliffe, chief international economist at HSBC Markets. "We won't see a repeat of the sharp movement we have seen over last few weeks."

US Treasury prices were mostly flat in early trade yesterday, as investors awaited data on consumer prices and industrial production due out today and tomorrow.

Near midday, the benchmark 30-year Treasury was 1/8 stronger at 96 1/8 to yield 6.85 per cent, while at the short end of the maturity spectrum, the two-year note added 1/8 to 100 1/8, yielding 5.95 per cent.

The market paid little attention to a mixed report on manufacturing in the south-eastern US. The Federal Reserve Bank of Atlanta said industrial activity edged up to 5.8 in September from 4.9 in August, but that the prices paid index slipped to 4.7 from 4.9.

WORLD BOND PRICES

Table of benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, Switzerland, UK Gilts, US Treasury, and EUJ French Govt.

Table of bond futures options (Liffe) for Bunds, Italian, and Spanish bonds, including call and put prices.

Table of FTSE Actuaries Govt. Securities, including UK Gilts and FTSE International 1000, with prices and yields.

Table of UK indices, including the FTSE 100, FTSE 250, and FTSE 1000, with current values and changes.

US INTEREST RATES

Table of US Treasury Bills and Bond Yields for various maturities from 1 month to 30 years.

Table of UK Gilts prices for various maturities, including 12-month, 18-month, 2 1/2-year, 3 1/2-year, 5-year, and 10-year.

Table of FT Fixed Interest Indices, including Fixed Income, FTSE International 1000, and Average Gross Redemption Yields.

Table of Gilts Edged Activity Indices, showing changes in various gilt-related indices.

BOND FUTURES AND OPTIONS

Table of notional French bond futures (MATIF) and options for Dec, Mar, and Jun.

Table of notional UK gilt futures (Liffe) and options for Dec, Mar, and Jun.

Table of notional German bond futures (Liffe) and options for Dec, Mar, and Jun.

Table of notional Japanese government bond futures (Liffe) and options for Dec, Mar, and Jun.

UK GILTS PRICES

Table of UK Gilts prices for various maturities, including 12-month, 18-month, 2 1/2-year, 3 1/2-year, 5-year, and 10-year.

Table of other fixed interest rates, including various international bonds and interest rates.

Table of Deutsche Mark Straights, including various German government bonds.

Table of convertible bonds, including various convertible preferred stocks and bonds.

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CURRENCIES AND MONEY

Shares and oil boost dollar and pound

MARKETS REPORT

By Simon Kuper

The dollar peaked close to a 39-month peak against the yen yesterday and sterling's surge against the D-Mark...

Currency strategists said yesterday that the overriding focus in the market at present was for the D-Mark block of currencies to remain relatively weak.

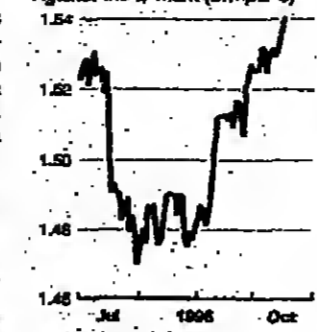
The dollar closed 90.685, higher at Y112.35 over the coming sessions.

Bundesbank can say what they want, but they're not in charge. Secondly, the markets believe that most Bundesbank directors are happy to see the D-Mark depreciate further against the dollar.

Mr Tony Norfield, treasury economist at ABB Amro in London, said: "Germany, on the part of Bundesbank speakers, is continuing to take a hard line on the Emu criteria. It has been trying to assist the whole idea of fiscal rules. But the way the market views it is that the...

Dollar

Against the D-Mark (Dm per \$)



Source: Datastream

DM2.47 was the point at which to take profits. Mr Prendergast said: "It should be remembered that a lot of sterling's gains are a revaluation of the pound from the very weak levels of 1995."

against the D-Mark for the last month and a half. Analysts put the sudden movement down to lack of investor concern about next month's US presidential elections and the strength of asset markets.

Analysts noted that the dollar's rise yesterday began during Asian trading hours. "It's interesting that yesterday the Dow Jones index breaks above 6,000 on Wall Street and today the Japanese are coming in to buy dollars," said Mr Chavert.

The pound may find further upward momentum from economic data published today. A set of strong economic numbers over the past few weeks, which has suggested that growth is picking up led by consumer spending, has fuelled speculation that UK interest rates may have to be raised soon.

The Bank of England has already called for higher rates. Short sterling futures contracts, which rose yesterday, are pricing in interest rates of about 5 per cent by the end of the year, compared with 5.75 per cent at present.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Oct 15, Closing mid-price, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, Bank of England, Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 15, Closing mid-price, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, J.P. Morgan, Index.

OTHER CURRENCIES

Table with columns: Oct 15, Closing mid-price, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, J.P. Morgan, Index.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange, Cross Rates, Derivatives, etc.

JAPANESE YEN FUTURES (MM Yen 12.5 per Yen 100)

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int.

STERLING FUTURES (MM £2,500 per £)

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int.

UK INTEREST RATES

Table with columns: London Money Rates, UK clearing bank base lending rate, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Oct 15, Euro cent, Rate against Euro, Change on day, % v. -/+, % spread, Div. yield.

NON ERM MEMBERS

Table with columns: Country, Rate against Euro, Change on day, % v. -/+, % spread, Div. yield.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO-DOLLAR (MM \$1m points of 100%)

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

BASE LENDING RATES

Table with columns: Bank, Rate, etc.

THREE MONTH EURO-DOLLAR (MM \$1m points of 100%)

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

WORLD INTEREST RATES

Table with columns: MONEY RATES, October 15, Over night, One month, Three months, Six months, One year, Lomb. inter., Da. rate, Repo rate.

EURO CURRENCY INTEREST RATES

Table with columns: Oct 15, term, notice, month, three, six, one year.

THREE MONTH EURO-DOLLAR FUTURES (LFFE) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Set price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO-DOLLAR FUTURES (LFFE) \$1m points of 100%

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Petroleum Argus European Natural Gas Report

COMMODITIES AND AGRICULTURE

Concern over heating oil supplies as prices soar

By Deborah Hargreaves
Europe and the US could face a crisis this winter over heating oil supplies as prices soar to post-Gulf war highs and stocks plummet to their lowest level ever.

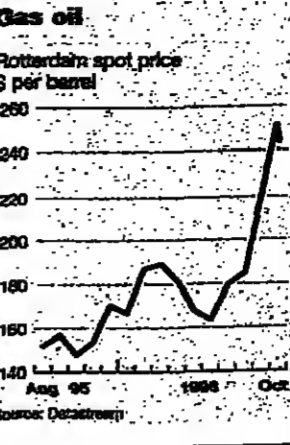
Texas. "And there is some reason to worry. The situation is precarious and a cold winter will lead to a scramble for stocks."
Gas oil prices on the Rotterdam market have risen by 65 per cent in the past year to \$244 a tonne this week.

"This is a market that usually moves by about \$20 a tonne over the winter and now it's taken off," said Mr Lindsay Horn, executive director, energy derivatives at Lehman Bros in London.

European distillate stocks - such as gas oil, diesel and jet fuel - are more than 30m barrels lower than a year ago at 285m barrels, and US stocks are 21m barrels lower at 111m barrels - an historic low.

In recent years, oil companies have tried to reduce their stocks in crude oil and products such as gas oil to cut costs, but this has left the market vulnerable to a surge in demand.

In the European Union, a change in specifications of diesel fuel for transport to reduce sulphur, introduced by the European Commission at the beginning of October, has put further pressure on stocks.



Pepper futures exchange for India

By Tony Tassell in Bombay
An international pepper futures exchange is expected to start operations in January at Cochin in Kerala state, southern India.

The Cochin International Commodity Exchange, located in the heart of the historic Malabar Coast spice producing district, will be the second exchange in the world, after Kuala Lumpur, to trade international futures contracts in black pepper.

Initially, the Cochin futures exchange will focus on black pepper - but house officials hope to expand trade to other commodities produced in the south of India, such as coffee, turmeric and ginger.

They also hope the hedging facilities for futures contracts will help generate increased demand for Indian pepper. India is the largest producer and exporter of black pepper, accounting for about a third of the world's annual production of some 180,000 tonnes.

Table with 2 columns: Commodity and Price. Includes Aluminum, Aluminum alloy, Copper, Lead, Nickel, Zinc, Tin.

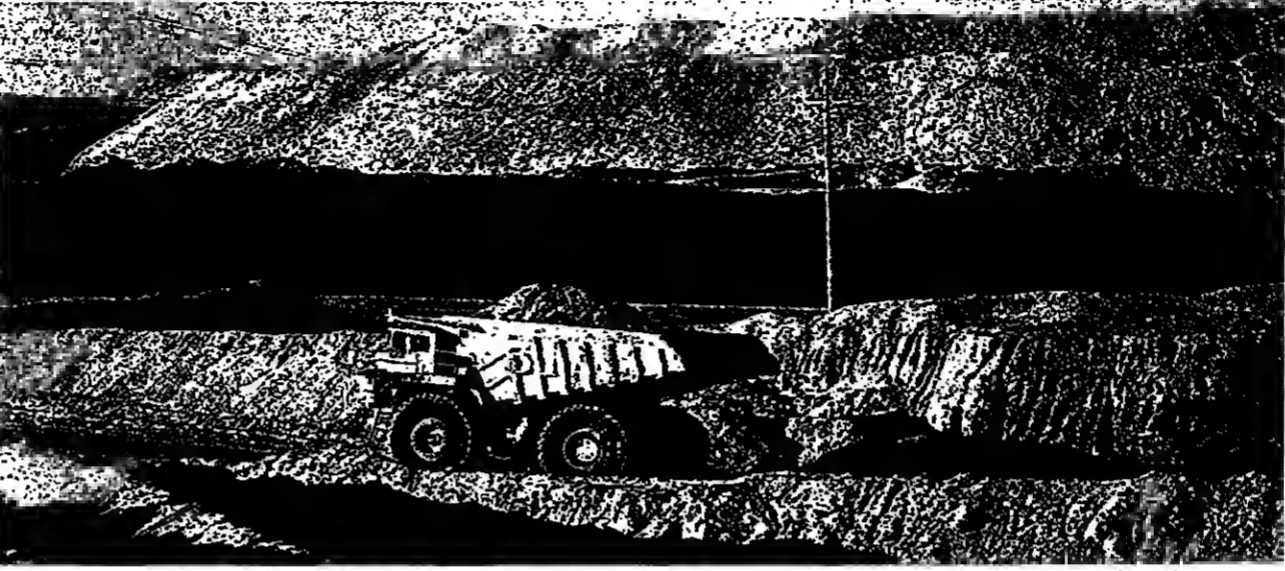
Brent blend breaks \$25

MARKETS REPORT
By Robert Corzine and Deborah Hargreaves
Oil prices briefly broke through an important psychological barrier yesterday as the price of Brent blend for November delivery, the global benchmark, hit \$25.06 a barrel, yet another post-Gulf war high.

Prices eased in late London trading to around \$24.70 a barrel on profit-taking. Traders said the market continued to be driven by high demand for refined products. It was also supported by concerns that fighting in the Kurdish areas of northern Iraq will reduce even further the likelihood of an early resumption of the UN oil-for-food plan.

Borax steps up search for new deposit

By Kenneth Gooding in California
Borax, one of the biggest cash generators within RTZ-CRA, the Anglo-Australian mining group, has stepped up its search for a replacement for its horate deposit in California's Mojave Desert.



Borax's California's Mojave Desert site. The company has lifted spending in search for the next 'monster' deposit

Borax's deposits in Boron, 90 miles north of Los Angeles, account for 44 per cent of global output. They are due to run out in about 40 years' time.

Mr White-Thomson said he thought that the next 'monster' deposit, similar to the one at Boron, was most likely to be found either in California or Mexico.

He said Borax focused on the problem after a small Canadian company discovered the huge Voley's Bay nickel deposit in Labrador and face of Canada had to pay heavily to acquire control of the deposit and retain its prime position in the world's nickel market.

Mr White-Thomson said the firm tonne a year borate global market was growing in line with economic activity - about 1.5 per cent a year. However, Borax wants to expand at a faster rate. It cannot expect to boost market share substantially, so is spreading its sales efforts to new markets.

Capital expenditure has been boosted from less than \$20m a year to \$40m-\$50m as processes and equipment at Boron have been upgraded.

COMMODITIES PRICES

BASE METALS

Table of London Metal Exchange prices for Aluminum, Lead, Zinc, Tin, and Nickel.

Precious Metals continued

Table of Gold COMEX and Platinum NYMEX prices.

GRAINS AND OIL SEEDS

Table of Wheat Life, Maize CBOT, and Soybean Oil CBOT prices.

SOFTS

Table of Cocoa Liffe, Coffee Liffe, and Coffee C/CSCE prices.

MEAT AND LIVESTOCK

Table of Live Cattle CME, Pork Bellies CME, and Live Hogs CME prices.

ENERGY

Table of Crude Oil NYMEX and Heating Oil NYMEX prices.

PRECIOUS METALS

Table of London Bullion Market prices for Gold, Silver, and Platinum.

UNLEADED GASOLINE

Table of Unleaded Gasoline NYMEX prices.

FUTURES DATA

Table of Futures Data for various commodities.

INDICES

Table of Indices for REUTERS, CRB, and COMEX.

JOTTER PAD

Table of London Traded Options for Aluminum, Copper, and Silver.

CROSSWORD

Crossword puzzle grid with clues and a solution key.

SOLUTION 9,199

Solution key for the crossword puzzle, listing answers for across and down clues.

VOLUME DATA

Table of Volume Data for various commodities.

LEAD

Table of Lead prices.

ZINC

Table of Zinc prices.

TIN

Table of Tin prices.

NICKEL

Table of Nickel prices.

ALUMINUM

Table of Aluminum prices.

LEAD

Table of Lead prices.

ZINC

Table of Zinc prices.

TIN

Table of Tin prices.

NICKEL

Table of Nickel prices.

ALUMINUM

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ZINC

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TIN

Table of Tin prices.

NICKEL

Table of Nickel prices.

ALUMINUM

Table of Aluminum prices.

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)

Table listing various offshore funds under the Bermuda (REGULATED) category, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

GUERNSEY (REGULATED)

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GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

Table listing various offshore funds under the Ireland (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)

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IRELAND (SIB RECOGNISED)

Table listing various offshore funds under the Ireland (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

FT MANAGED FUNDS SERVICE

Table listing various FT Managed Funds, including fund names, managers, and performance metrics.

IRELAND (REGULATED)

Table listing various offshore funds under the Ireland (REGULATED) category, including fund names, managers, and performance metrics.

IRELAND (SIB RECOGNISED)

Table listing various offshore funds under the Ireland (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

AMERICAN MANAGED FUNDS

Table listing various American Managed Funds, including fund names, managers, and performance metrics.

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Vertical advertisement on the left side of the page, partially obscured, mentioning 'Pepper futures exchange for India' and 'SSWORD'.

Offshore Funds and Insurances

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LUXEMBOURG (SIB REGISTERED)

Table listing various offshore funds and insurances under the LUXEMBOURG (SIB REGISTERED) section. Columns include fund names, ISIN codes, and performance metrics.

FT MANAGED FUNDS SERVICE

Table listing various FT Managed Funds Service funds. Columns include fund names, ISIN codes, and performance metrics.

FT MANAGED FUNDS SERVICE

Table listing various FT Managed Funds Service funds. Columns include fund names, ISIN codes, and performance metrics.

حکومت الرشيد

FT MANAGED FUNDS SERVICE

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Main table of fund prices with columns for Fund Name, Price, and % Change. Includes sections for Global Asset Management, Growth Funds, Income Funds, and various international funds.

OTHER OFFSHORE FUNDS

Table listing various offshore funds such as AXA Asset Management, Axa Funds, and others, with their respective prices and changes.

Advertisement for Macmillan Appeal. Text: 'HELP FILL THE CARE GAP IN BRITAIN. SUPPORT THE Macmillan APPEAL. Over one million people are living with cancer in Britain...'

MANAGED FUNDS NOTES. This section provides detailed information and disclaimers regarding the fund services, including contact details for the FT Cityline Help Desk.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

CHEMICALS - Cont.

Table listing companies in the Chemicals sector (continued) with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Equipment sector (continued) with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts (continued) with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Restaurants sector with columns for company name, price, and change.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts (continued) with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued) with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts (continued) with columns for company name, price, and change.

In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency.



BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector (continued) with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued) with columns for company name, price, and change.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts (continued) with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

INV TRUSTS SPLIT CAPITAL

Table listing investment trusts split capital with columns for company name, price, and change.

LONDON SHARE SERVICE

Table with columns for company names, share prices, and changes. Includes various financial institutions and investment trusts.

Table titled 'OTHER INVESTMENT TRUSTS' listing various investment trusts and their performance metrics.

Table titled 'INVESTMENT COMPANIES' listing various investment companies and their share prices.

Table titled 'LEISURE & HOTELS' listing companies in the leisure and hotel industry.

Table titled 'LEISURE & HOTELS - Cont.' continuing the list of companies from the previous table.

Table titled 'LIFE ASSURANCE' listing life insurance companies.

Table titled 'MEDIA' listing media companies.

Table titled 'OIL EXPLORATION & PRODUCTION' listing oil and gas exploration and production companies.

Table titled 'OIL, INTEGRATED' listing integrated oil companies.

Table titled 'OTHER FINANCIAL' listing other financial services companies.

Table titled 'PAPER, PACKAGING & PRINTING' listing paper, packaging, and printing companies.

Table titled 'PAPER, PACKAGING & PRINTING - Cont.' continuing the list of companies.

Table titled 'PAPER, PACKAGING & PRINTING - Cont.' continuing the list of companies.

Table titled 'PHARMACEUTICALS' listing pharmaceutical companies.

Table titled 'PROPERTY' listing property companies.

Table titled 'PROPERTY - Cont.' continuing the list of property companies.

Table titled 'SUPPORT SERVICES' listing support services companies.

Table titled 'SUPPORT SERVICES - Cont.' continuing the list of support services companies.

Table titled 'TELECOMMUNICATIONS' listing telecommunications companies.

Table titled 'TELECOMMUNICATIONS - Cont.' continuing the list of telecommunications companies.

Table titled 'RETAILERS, FOOD' listing retailers and food companies.

Table titled 'RETAILERS, GENERAL' listing general retailers.

Table titled 'TOBACCO' listing tobacco companies.

Table titled 'TRANSPORT' listing transport companies.

Table titled 'WATER' listing water supply companies.

Table titled 'AIM' listing companies on the Alternative Investment Market.

Table titled 'AIM - Cont.' continuing the list of AIM companies.

Table titled 'AIM - Cont.' continuing the list of AIM companies.

Table titled 'AIM - Cont.' continuing the list of AIM companies.

Table titled 'TELECOMMUNICATIONS - Cont.' continuing the list of telecommunications companies.

Table titled 'TEXTILES & APPAREL' listing textiles and apparel companies.

Table titled 'TOBACCO' listing tobacco companies.

Table titled 'TRANSPORT' listing transport companies.

Table titled 'WATER' listing water supply companies.

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Table titled 'AMERICANS' listing American companies.

Table titled 'CANADIANS' listing Canadian companies.

Table titled 'SOUTH AFRICANS' listing South African companies.

Table titled 'GUIDE TO LONDON SHARE SERVICE' providing information about the service.

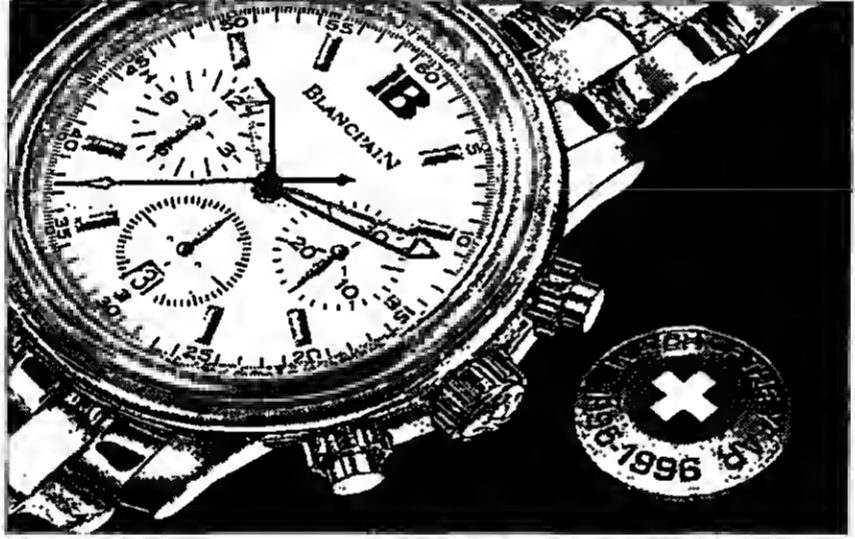
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PROPERTY - Cont. SUPPORT SERVICES - Cont. AIM

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LONDON STOCK EXCHANGE

Investors push Footsie to yet another peak

MARKET REPORT

By Philip Coggan, Markets Editor

The London market continued its seemingly relentless rise yesterday with the FTSE 100 index setting record intraday and closing highs.

Continued its recent rally and gained two pennings against the D-Mark on the day, while gilts were also buoyant, with the benchmark 10-year issue rising by around a third of a point.

price review of the water industry, but since it was widely expected, the news caused only modest damage to share prices in the sector.

settled 12.1 points higher at 4,050.8. Junior indices also made modest gains, with the FTSE 250 rising 5.4 to 4,448.9 and the Small-Cap 6.0 to 2,188.4.

and everyone seems to be a buyer," says Mr Tim Brown, strategist at UBS, although he warns that, technically, the market looks vulnerable.

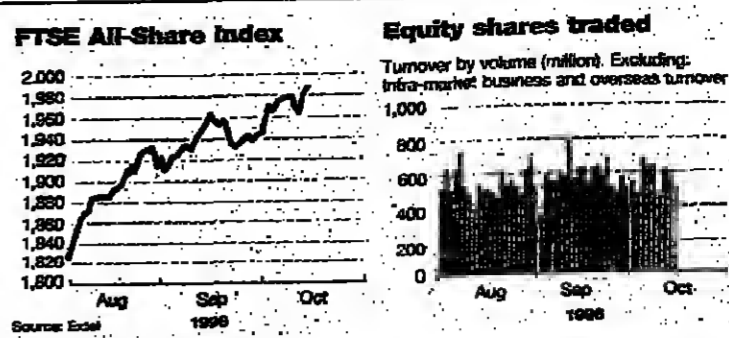


Table with columns: Index, Change, and values for FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, and FTSE All-Share yield.

Standard under pressure

By Steve Thompson and Peter John

Standard Chartered was the worst performer in the leading index throughout the morning session as the shares reacted violently to news that Cazenove, the bank's own stockbroker, had adopted a slightly more cautious line on the stock.

cut down on the leaks, the Orwat announcement immediately raised the prospect of greater capital expenditure.

been built on flimsy evidence and that on the fundamentals the shares remained around 50p too high.

great casino owner in the UK with 25 gaming clubs, settled 4 1/2 higher at 448 1/2p.

took place yesterday in Wolstenholme Rink, the chemicals company. The trade was struck at 875p a share against a ruling Seaq spread of 860p to 880p.

FUTURES AND OPTIONS

Table with columns: Index, Open, Settle, Change, High, Low, Est. vol, and Open int. for FTSE 100 and FTSE 250.

TRADING VOLUME

Table with columns: Major Stocks, Vol., Closing, and % change for various companies like Astra, BHP, and British Airways.

Standard shares hit an all-time high of 729 1/2p at the end of August, but have subsequently attracted profit-taking.

Regional electricity stocks fell back as Goldman Sachs took the axe to its recommendations.

United Nations and World Bank, both of which have been supported in recent months by hopes that a bid from the US, and specifically from Aon, would be forthcoming.

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You might say recovery has taken a while. We'd be the first to agree.

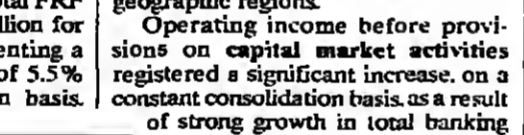
Credit Lyonnais has achieved a convincing return to profit.

Credit Lyonnais' banking activity is profitable.

Risks are under control

Net operating provisions total FRF 2.3 billion, versus FRF 2.5 billion for the first half of 1995, representing a decline of 7.2% but a rise of 5.5% on a constant consolidation basis.

Group share in net profit (loss)



Operating income before provisions was up 20.1% at FRF 4.2 billion.

On a constant consolidation basis, after eliminating the impact of the EPFR loan and non-recurring operations, total banking income increased by 3.9%.

Group solvency ratios

Credit Lyonnais Group's European solvency ratio stood at 8.7% at June 30, 1996, with tier one equity representing 4.5%, and weighted assets amounting to FRF 889 billion.

Outlook

The financial statements at June 30, 1996 incorporate the effects of the decisions made by the French Government and announced in a press statement released by the Ministry of the Economy and Finance on September 25, stating that: "The Government has decided to neutralize the impact on Credit Lyonnais of the loan to EPFR. The necessary measures will be considered and introduced in consultation with the bank's management. For the time being, and as a safeguard measure, the Government has decided to increase the interest rate paid on this loan for fiscal 1996 to 5.84%, and, retroactively for 1995 to 7.45%. These interest rates correspond to the average cost to Credit Lyonnais of funding the EPFR loan. The European Commission has today approved this latter measure."

After a provision of FRF 35 million for payment to the State under the participating clause, net profit comes to FRF 756 million.

Minority shareholders' interest in net profit is FRF 689 million, reflecting good profitability at subsidiaries such as Credito Bergamasco, Woodchester, BFG and UAF. Group net profit works out to FRF 67 million.

All four profit centers are positive

In France, commercial banking conditions remain difficult, as a result of persistently weak lending volumes, in the corporate sector especially, and inadequate margins.

Lyonnais of the loan to EPFR.

The necessary measures will be considered and introduced in consultation with the bank's management. For the time being, and as a safeguard measure, the Government has decided to increase the interest rate paid on this loan for fiscal 1996 to 5.84%, and, retroactively for 1995 to 7.45%. These interest rates correspond to the average cost to Credit Lyonnais of funding the EPFR loan.

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FTSE ACTUARIES SHARE INDICES

Table showing FTSE Actuaries Share Indices with columns for Index, Change, and values.

FTSE ACTUARIES INDUSTRY SECTORS

Table showing FTSE Actuaries Industry Sectors with columns for Sector, Change, and values.

Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, and FTSE 350.

FTSE 350 Industry baskets

Table showing FTSE 350 Industry baskets with columns for Basket, Change, and values.

FT GOLD MINES INDEX

Table showing FT Gold Mines Index with columns for Index, Change, and values.

THE UK SERIES

Table showing The UK Series with columns for Index, Change, and values.

Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, and FTSE 350.

FTSE 350 Industry baskets

Table showing FTSE 350 Industry baskets with columns for Basket, Change, and values.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

EUROPE (Oct 15/1996)

Table of European stock market data including indices like EURO STOXX 50 and individual stock prices for various countries.

EUROPE (continued)

EUROPE (continued)

Continuation of European stock market data, including more indices and individual stock prices.

EUROPE (continued)

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EUROPE (continued)

EUROPE (continued)

Continuation of European stock market data, including more indices and individual stock prices.

Advertisement for Peregrine: 'Money Talks in Asia. We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.' Includes logo and contact information.

Table of Asian stock market data including indices like Nikkei 225 and individual stock prices for various Asian countries.

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Continuation of European stock market data, including more indices and individual stock prices.

EUROPE (continued)

EUROPE (continued)

Continuation of European stock market data, including more indices and individual stock prices.

US INDICES

US INDICES

Table of US stock market indices including Dow Jones, S&P 500, and various sector indices.

ASIA

ASIA

Table of Asian stock market data including indices like Nikkei 225 and individual stock prices for various Asian countries.

AFRICA

AFRICA

Table of African stock market data including indices like FTSE Africa 100 and individual stock prices for various African countries.

Market summary and closing information for various indices and sectors.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard with the text 'Reach for it. If the business decisions are yours, the computer system should be ours.' and the HP logo.

Handwritten Arabic text at the bottom center of the page.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for -V-, -W-, -T-, -U-, -X-, and -Y-.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for -I-, -E-, -F-, -G-, -H-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, and -Y-.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

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Continuation of NASDAQ National Market stock prices from the previous table.

